Alicante, 09th of May 2025

COMMUNICATION – MARKET NOTICE - FACEPHI BIOMETRIA, S.A.

Dear Sirs,

Pursuant to Article 17 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (Market Abuse Regulation), and section 4.5.1 of Euronext Growth Markets Rule Book Part I: Harmonized Rules, on ongoing obligations of companies listed on Euronext, (hereinafter "FacePhi" or "the Company") hereby notifies the following:

FINANCIAL INFORMATION FOR THE YEAR 2024 (translated)

- Annual Report 2024.
- Consolidated annual accounts of the Company for the year 2024 prepared together with the management report.
- Independent audit report corresponding to the consolidated annual accounts of the Company for the year 2024.
- Individual annual accounts of the Company for the year 2024 prepared together with the management report.
- Independent audit report corresponding to the individual annual accounts of the Company for the year 2024.

We remain at your disposal for any clarification you might deem necessary.

Sincerely,

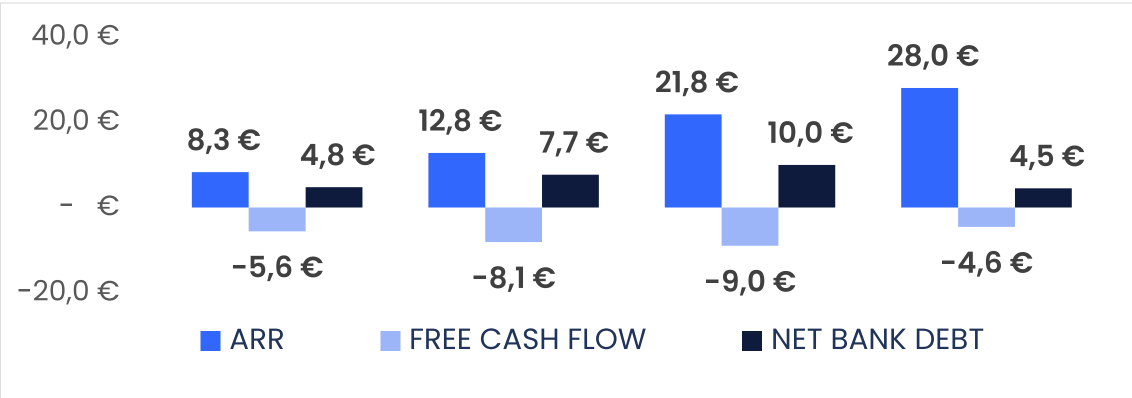
Javier Mira Miró
Chairman of the Board of Directors

Facephi Ends 2024 Strong with Double-Digit Growth Across Key Metrics: TCV, ARR, Turnover and Ebitda

- *Turnover reached €28.9mm, setting a new high with a 14.8% YoY growth, driven by the launch of new products and services, as well as ongoing diversification into new countries and business verticals.*
- *TCV[1] and ARR[2] also set new highs, reaching €57.8mm and €28.0mm, respectively, reflecting 49.5% and 28.5% growth compared to 2023; underscoring the Company's positive outlook for 2025 and beyond.*
- *Normalized Ebitda reached €1.0mm; a favorable increase of 10.4% compared to €0.9mm in 2023.*
- *Both Cash Flow & Net Financial Debt saw significant improvements versus 2023*
- *Facephi will host a webcast to discuss earnings on Wednesday, May 7, 2025, at 10:00 CT.*

Alicante, April 29th , 2025 - Facephi Biometría, SA (BME Growth: FACE; Euronext Growth Paris: ALPHI) ("Facephi" or the "Company"), a Spanish tech leader in global digital identity protection and verification, announced its audited financial results for fiscal year 2024.

€ million	**2023**	**2024**	**Change**
TCV	38.6 €	57.8 €	+49.5%
ARR	21.8 €	28.0 €	+28.5%
NET TURNOVER	25.1 €	28.9 €	+14.8%
EBITDA NORMALIZED	0.9 €	1.0€	+10.4%
CASH FLOW	-9.0 €	-4.6 €	+48.3%
NET BANK DEBT[3]	10.0 €	4.5 €	-55.0%
NBD/TURNOVER	40.0%	15.6%	-2440 bps



[1] **TCV (Total Contract Value):** The total guaranteed value of signed contracts over their full duration (annual or multi-year), covering the client's minimum purchase obligation. The contract start date is when the service or technology becomes available to the client, allowing Facephi to begin invoicing. It is important to note that the total amount is guaranteed, as it represents the client's minimum purchase obligation. If subsequent consumption exceeds this minimum, the amount is updated accordingly to reflect the additional turnover.
[2] **ARR (Annual Recurring Revenue):** The total annualized value of active recurring contracts. The start date is when the service or technology becomes available to the client, allowing Facephi to begin invoicing. Non-recurring contracts and one-time purchases are excluded. Additionally, post-consumption revenue that follows a recurring pattern is included, based on the most recent month's usage.
[3] **Net Bank Debt (NBD)**: Financial Debt to be repaid

Javier Mira, CEO of Facephi, commented: “We are incredibly proud of our 2024 performance, which showcases the success of over 12 years of strategic investment in infrastructure, global expansion, and diversification into new services and sectors. These efforts have strengthened our operational and technological foundation, positioning us for accelerated growth and stronger cash flow in 2025 and beyond.

Our confidence in the future is underscored by the impressive evolution in Total Contract Value (TCV) and Annual Recurring Revenue (ARR); which continue to gain momentum and lay a strong foundation for sustained growth.

Key 2024 achievements include the launch of *Behavioral Biometrics*, *Mule Account Detection*, and the *IDV Suite* for identity verification. In addition to strengthening our presence across APAC, EMEA, and LATAM, we also expanded into Iraq, Jordan, Pakistan, Poland, Saudi Arabia, South Africa, and Uganda, while expanding in Canada and the U.S. through strategic partnerships with DIACC[4] and STA[5].

Furthermore, we increased our reach into key sectors such as gaming, cryptocurrency, hospitality and travel — as highlighted through our partnership with IATA[6] to enable fully digital air travel[7], and other projects.

With a solid foundation now in place, we remain committed to continuous innovation, sustained growth, and creating long-term value for our stakeholders."

The Company will host a webcast to discuss the results on Wednesday, May 7, 2025, at 10:00 a.m. CT. The live webcast will be accessible via Webcast | Facephi's 2024 Full-Year Audited Earnings | Facephi. A replay of the webcast will be made available on the same website shortly after its conclusion.

About Facephi

Facephi is a technology company specializing in the protection and verification of digital identity, renowned for its focus on security and data integrity. Its solutions are designed to create safer, more accessible, and fraud-free processes, prevent identity theft, and ensure the ethical treatment of personal data.

With over a decade of experience in developing technologies aimed at safeguarding digital identity, Facephi is headquartered in Spain, with subsidiaries in APAC, EMEA, and LATAM. The company serves the needs of clients across 25+ countries, delivering innovative solutions that address security challenges in an ever-evolving digital landscape.

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[4] DIACC: Digital ID & Authentication Council of Canada
[5] STA: Home - Secure Technology Alliance
[6] International Air Transport Association (IATA): IATA - Home
[7] Fully Digital Travel Experience Closer to Reality - IATA

Audited Accounts

2024

facephi

Javier Mira

CEO’s note

We are going through a time of business maturity, proud of our performance, which reflects the success of more than 12 years of investment in infrastructure, global expansion and diversification in services and sectors. All of which has resulted in a significant improvement in the main indicators.

Looking back on 2024, after years of sustained growth, we consolidated strategic advances as Partners Community, international certifications and boosting our commercial network to reassert our position as a key player in the evolution of digital identity at an international level.

Turnover reached €28.9 million, a growth of 15%. Total Contract Value (TCV) and Annual Recurring Revenue (ARR) grew by 50% and 28% respectively compared to 2023, gaining momentum in our determination for the future.

One of the most important milestones of the year was the agreement reached with HANCOM, decisively boosting our presence in the APAC region and opening up new opportunities in the international technology arena.

Innovation continues to be at the forefront, expanding our technology capabilities with new products and solutions such as KYP (Know Your Passenger) focused on the airline industry, as well as mule accounts and behavioral biometrics for banking — with the mule accounts solution already launched and full deployment expected in 2025.

We are celebrating the tenth anniversary of our presence in BME Growth, a decade on the Spanish stock market that marks not only our journey, but also the sustained confidence of investors and partners.

I would like to take this opportunity to express my deep appreciation for the commitment of each and every member of the Facephi team, as well as the determination of our customers, partners and shareholders. They are an essential part of the path we are following towards a more secure digital future.

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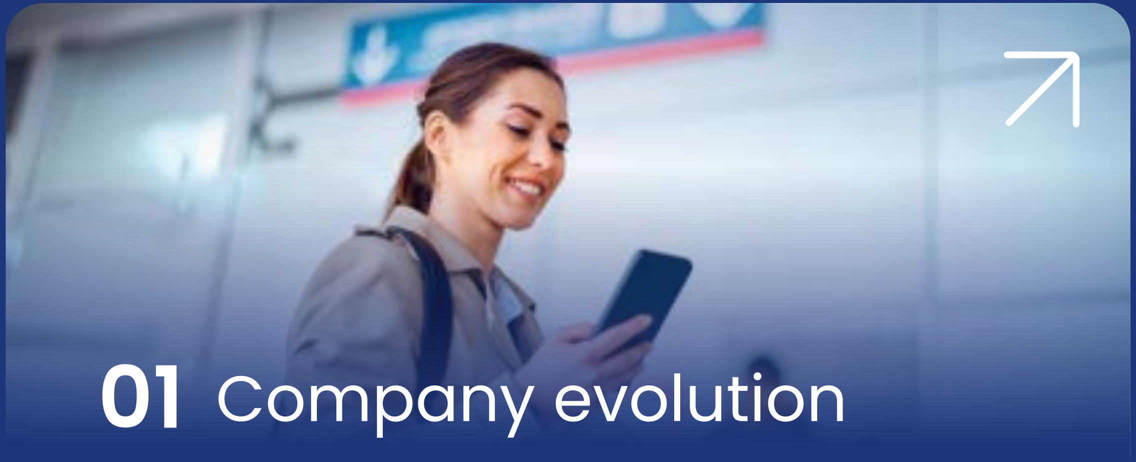
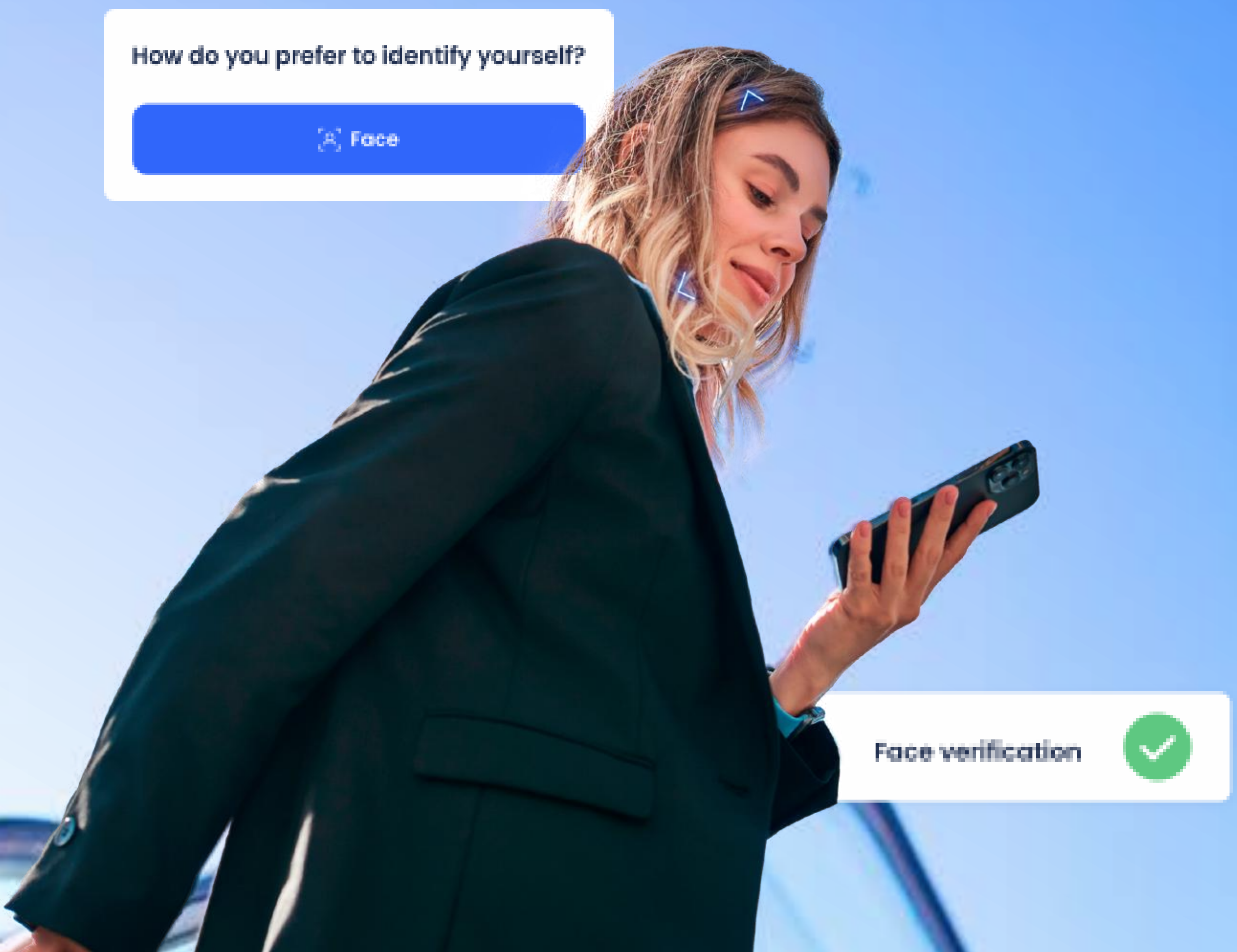


01

Company evolution

Digital identity

The new age of online security



Hyper-personalisation of experiences

Through digital identity we reach new milestones in terms of the adaptation of the user journey.

Air sector

We transform the traveller experience with KYP (Know Your Passenger), delivering faster, more secure and frictionless travel.

Security and trust

Identity as a new frontier of online security.

Digital banking

Fintech and digital banks which require a full digital ID

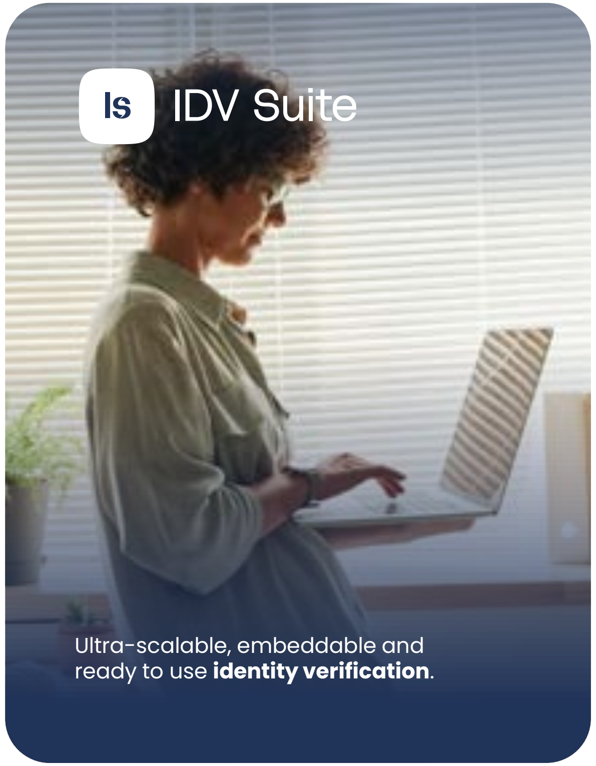
Electronic services

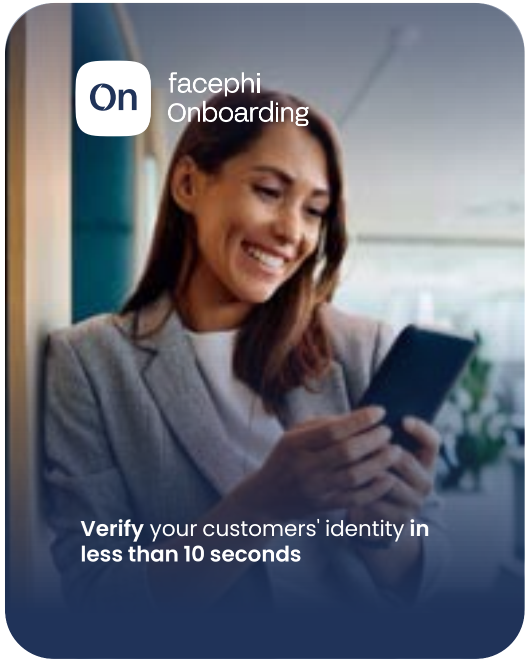
Rapid global adoption in all regulatory frameworks.

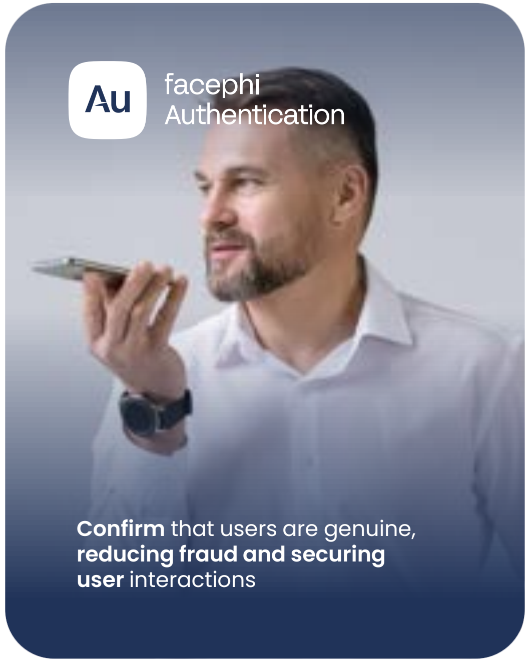
Government initiatives

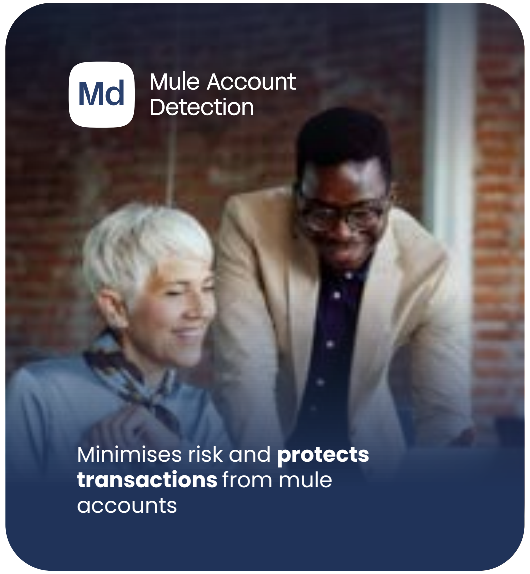
Digitisation of citizens by public institutions generating trusted ecosystems

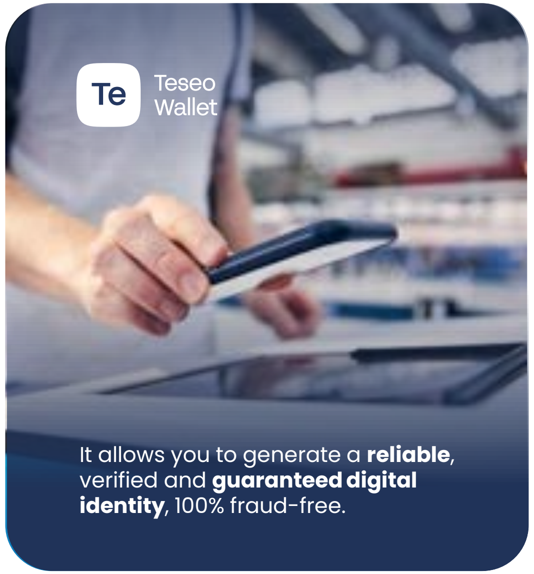
Solving the **challenges of Online Security**.

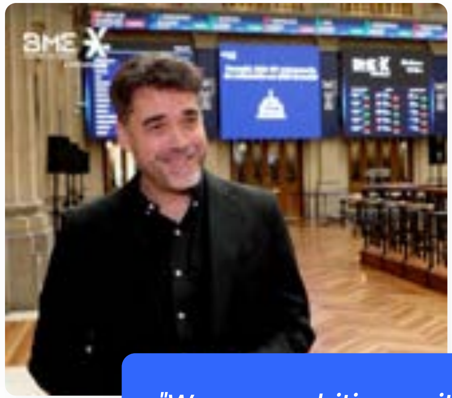












More than a decade of major milestones and in BME Growth

"We are ambitious with regard to the future. We started small, but thanks to the markets we have the capacity today to be the leader in digital identity verification.

Javier Mira,
CEO of Facephi

2012
facephi
Founded in Alicante, Spain

13-14
Grupo Mutual
First customer acquired

BME Growth
Public listing in Spain

15-16
Bi Banco Industrial
First major bank on board

The team starts to grow

17-18
HORIZON 2020
€1.7M granted

Team growth

Au facephi Authentication
Facephi's main product
.

2019
On facephi Onboarding
It became our main product

facephi
We opened an office in **APAC**

2020
ecertic
Acquired electronic signature company

EURONEXT
Dual listing in Paris

2021
We launched
Ip Identity Platform

We increased **the client portfolio x2**

Major increase in team

2022
facephi
We opened an office in **LATAM**

facephi
We opened an office in **EMEA**

2023
Te Teseo Wallet
We launch the **Facephi identity wallet**

Opening and consolidation of the Partner Channel

2024
Alliance with the Korean group **HANCOM**

Nice&Green joins our **Board of Directors**.

Samsung Securities chooses us to verify the identity of its users in APAC.

2025
Entry into the NORAM market with a particular focus on **Canada**

KYP (Know Your Passenger)
Md Mule Account Detection
Bb Behavioural Biometrics

2026

Digital identity:
a key player in global change

Financial entities

- New regulations will impact the sector and less regulated environments such as crypto.
- Fraud control and risk minimisation with technologies such as behavioural biometrics and mule account detection.

Present on government agendas

- eIDAS 2.0. All EU member states must offer a functional EUDI Wallet to their citizens and residents.
- Countries such as Chile, Uruguay, Colombia and Mexico are integrating digital identity solutions to simplify procedures and ensure digital inclusion.
- Identification for Development (ID4D) of the United Nations and the World Bank, promoting Digital Identity to improve people's lives.

Transportation and borders

- There are many initiatives to standardise the use of digital identities at airports, among them we highlight IATA's One ID.
- Facephi is already part of projects that improve the traveller experience in a secure way, based on identity verification technology with the KYP (Know Your Passenger) solution.

e-services

- Digital first customers who operate exclusively online need secure environments, subject to regulatory frameworks such as GDPR*.
- KYC and the construction of qualified identities will become the cornerstone of the entire ecosystem on which CX is based.

*: General Data Protection Regulation

Dual-listing

BME Growth

EURONEXT

We have **the trust of the main banks and companies worldwide**

+25 Countries

300M Transactions

Maximum **security** and maximum **recognition**

Certificates

*Starts after Annex FII presentation. 12k + 6m

Milestone **2024**

Obtaining **ENS High Category**.

Associations

Awards

Facephi named Sample Vendor in Gartner's Hype Cycle for Financial Crime 2024.

Our technology is regularly assessed by NIST.

Facephi, a member of IATA's Data & Technology Strategic Partnerships Program

02

Management report

New strategy

Technology

Structure and people

Business

Consolidation in LATAM, expansion in APAC, landing in NORAM

In 2024 we maintained a firm strategy, **focused on innovation and consolidation on international markets**.

The expansion in the APAC region is highlighted by the investment agreement with HANCOM, the exclusive distributor for our products in the region.

Market expansion strategy in NORAM, specifically in Canada, set to come into effect in 2025.

We boosted our positioning as a trusted provider through digital identity verification, with our own Digital Trust Meet events, expanding a second edition in 2025 in Mexico City.

New strategy

In order to maximise operational efficiency and ensure sustained growth, a number of actions have been put into place:

Partners Community

Boost the scalability of our business model business model by increasing our presence in more countries and productive sectors.

Boosting our commercial network

We hired new team members to strengthen the commercial structure and drive forward our expansion in LATAM, EMEA and NORAM.

International certifications

Obtaining international certifications enables us to explore new scenarios where we can apply our technology and meet the highest quality standards.

Investment in R&D

Maintaining our investment in R&D is essential if we are to keep developing innovative processes focused on adapting our solutions to the needs of new industries and use cases.

Investment agreement with HANCOM: €5M and exclusive distribution in Asia-Pacific

A significant milestone in our international growth roadmap, facilitating direct entry into new Asian markets and contributing to the strengthening of the value proposition by incorporating advanced identity verification solutions into its customer portfolio.

The specific event **Digital Trust Meet**
came about and is set to be consolidated in 2025

The Facephi Digital Trust Meet events, which were held for the first time in 2024, are the meeting point for the challenges of verified digital identity in the fight against fraud and the impact of generative artificial intelligence.

With one edition in Madrid and another in Mexico City, a total of almost 300 people were able to share knowledge, demystify concepts and outline a joint future that ensures a reliable environment for companies and users.

With the participation of representatives from companies such as KPMG, Eviden or Mexican institutions such as CNBV, PRODECON, who will participate again in the 2025 edition.

New strategy

Technology

Structure and people

Business

Innovating towards the future

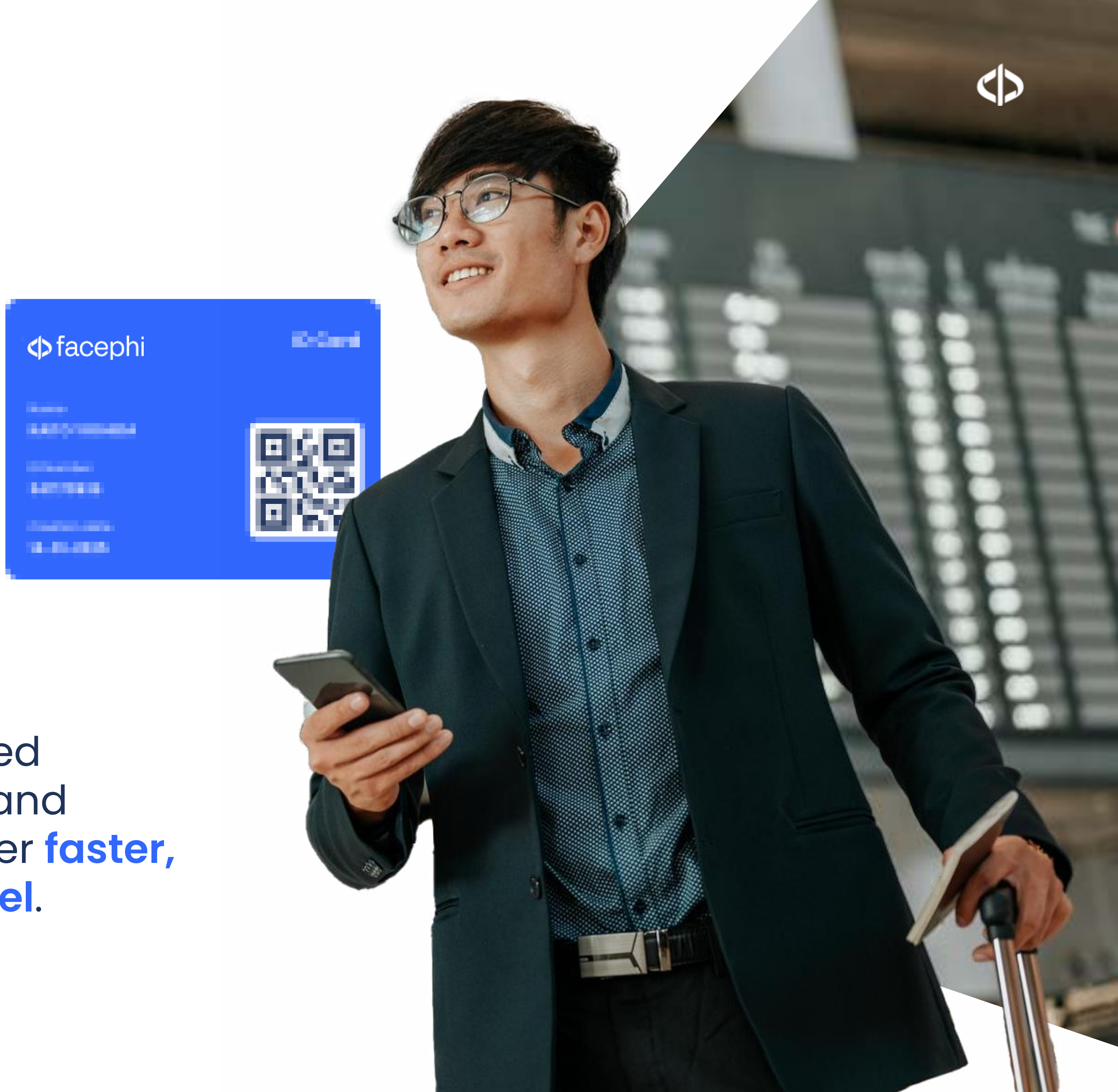
Throughout 2024, we have expanded our technology portfolio with significant advancements, positioning ourselves in digital identity authentication and verification.

We have included new features such as the KYP (Know Your Passenger) solution focused on the airline industry, products such as mule accounts and behavioural biometrics for banking that started to materialise in 2025.

These achievements position us as pioneers in digital security, and against financial crime and we are recognised by relevant international organisations, including **NIST**.

KYP

(Know Your Passenger)



A solution that combines advanced biometrics, verifiable credentials and decentralised technology to deliver **faster, more secure and frictionless travel**.

Bb Behavioural Biometrics

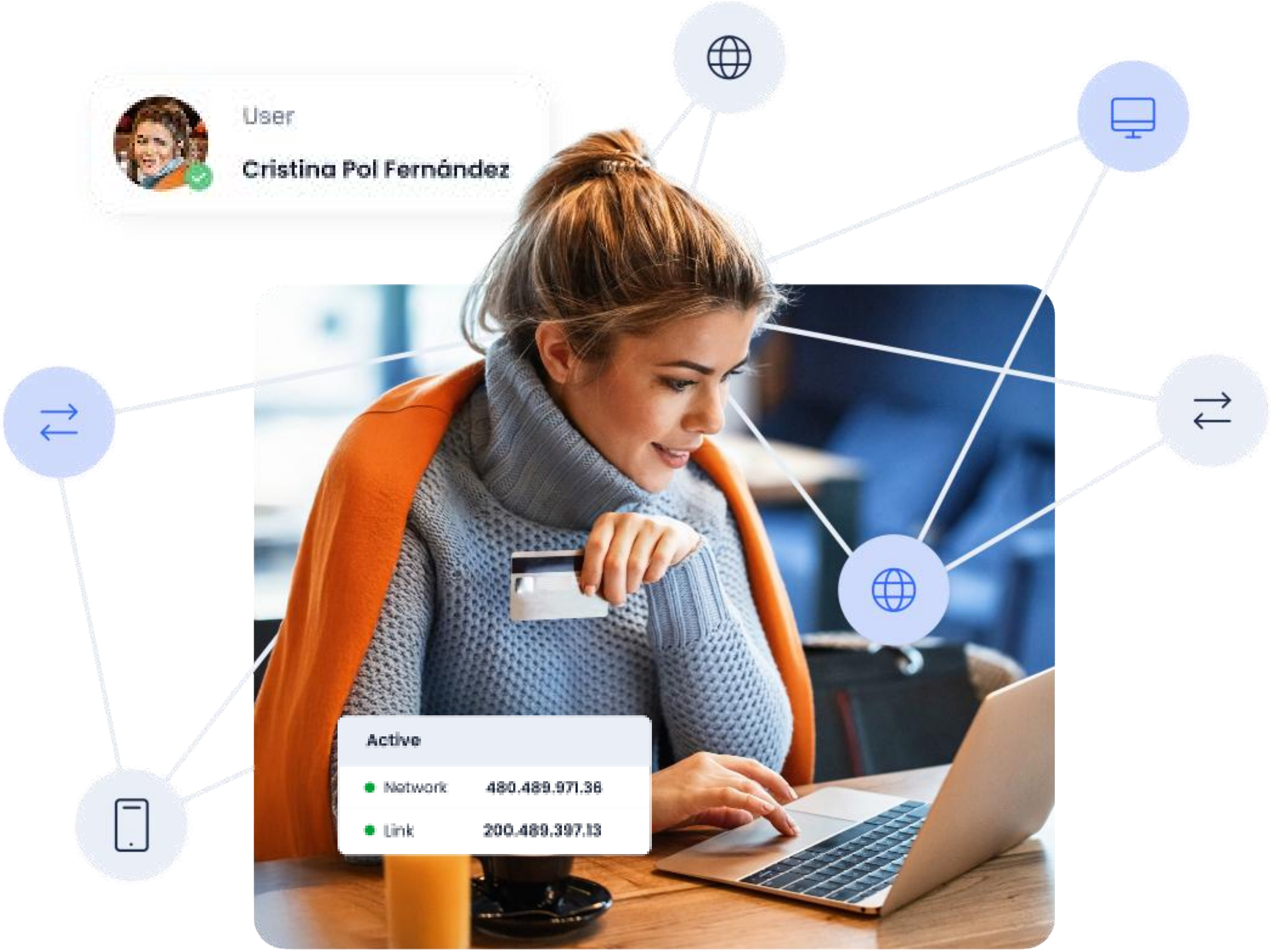
Evaluates each **user interaction in context** to understand their risk, interpreting dynamic data and responding in real time.

Md

Mule Account Detection

Advanced **detection** and proactive **prevention**

Allows **their automatic risk classification**, and the **identification of pre-fraud signals as soon as the account is opened**. It also orchestrates the secure exchange of intelligence between institutions, anticipating fraud before it occurs.



New strategy

Technology

Structure and people

Business

Corporate culture

We have continued to invest in the development and professional growth of our team, based on two strategic pillars of professionalisation and with the focus on *customer experience*.

The workforce increased by 3.4% to 273 employees at the end of the year, driven by international expansion and reflecting a diverse and multicultural company.

Particularly notable is the growth in our **technical and business team**.

This overall growth is part of its consolidation as a company in 2024, completing the team sizing and structure process.

Organisation chart

CSR

In 2024 we boosted our commitment to corporate social responsibility (CSR), highlighting our close collaborations with associations such as **Fundación Eurofirms**, **ASPANION and Parque Científico de Alicante**.

Our focus on concrete actions, aligned with the UN Sustainable Development Goals, has been evident in our activities.

Seeking to create a positive impact on the society we are part of, we staged Sportphi Paddle Day and our team played with professionals from the Spanish Federation of Sports for People with Physical Disabilities, as well as our collaboration with training entities.

New strategy

Technology

Structure and people

Business

Consolidation and transparency

Our results reflect the success of 12 years of strategic investments in infrastructure, global expansion, and diversification into new sectors and services. These efforts have enabled the consolidation of an operational and technological structure that has led to improvements in the main business metrics: TCV, ARR, Turnover, Ebitda and cash flow generation.

Customers

Some major clients during the period

Samsung Securities

South Korea

Samsung Securities opts for our technology to verify the identity of its users.
We are integrated into the financial platform of Samsung Securities, the financial services subsidiary of the Samsung Group, further consolidating our position on the Asia-Pacific market.

MOVILMAX

Guatemala

We integrated with MovilMax Guatemala to improve authentication in advanced electronic signature processes. This integration will include video-authentication and electronic signature, which will speed up the identification of users through their biometric data and identity documents, guaranteeing a speedier, more efficient process.

BHD

LATAM

They selected our Onboarding on the BHD App for new customers, including OCR, facial capture and liveness.

DAVIVIENDA

LATAM

Biometrics and document reading service with OCR for SME Mobile Credit (Digital onboarding SMEs) and other processes in the segment. Solution to register customers by means of OCR technology, as well as to visualise in real time all the transactions carried out.

آفاق AAFAQ

EMEA

We initiated a proof of concept (POC) with Aafaq to improve the onboarding of customers using an EAU ID card by optimising identity verification against government databases.

Events

Our presence at the most important events in the world drives us forward to keep exploring opportunities in different sectors

MONEY 20/20
| USA | Europe | APAC

Money20/20 is the largest and most influential gathering of the global financial ecosystem, including banking, technology, financial services and more.

We attended the event in the US, Thailand and Europe where our team made the most of the space to network with potential customers and present our solutions.

Identity Week | Amsterdam.

Innovation Day IATA | Geneva.

Febraban | São Paulo.

Seamless Middle East | Dubai

Revolution Banking | Madrid.

America Digital | Mexico City.

Digital Finance Africa
Johannesburg

Clab Panama | Panama.

ICE London | London.

03

Financial Report

Turnover

28.9M€ 2024
25.1M€ 2023

15% ▲

ARR
(Annual Recurring Revenue)

28.0M€ 2024
21.8M€ 2023

28% ▲

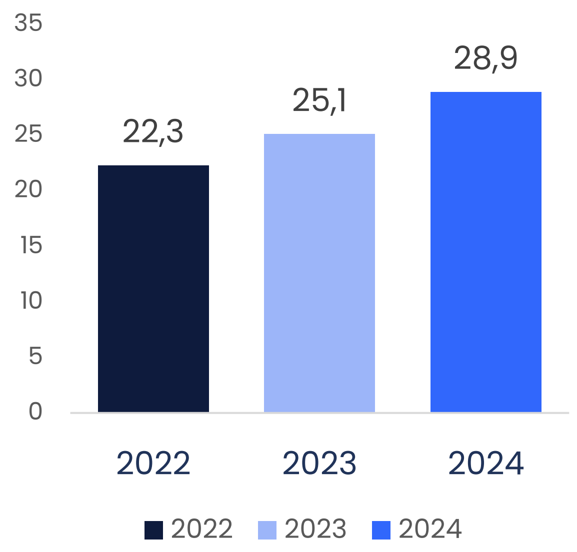
CAPEX
(Capital Expenditure)

4.6M€ 2024
4.2M€ 2023

16% of ARR 2024
19% of ARR 2023

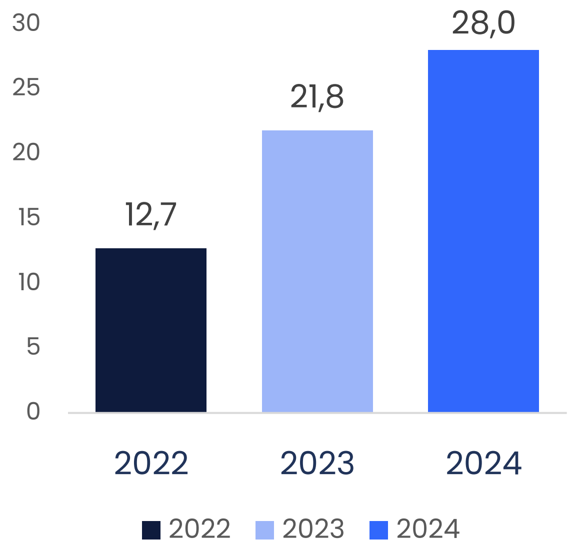
10% ▲

Turnover



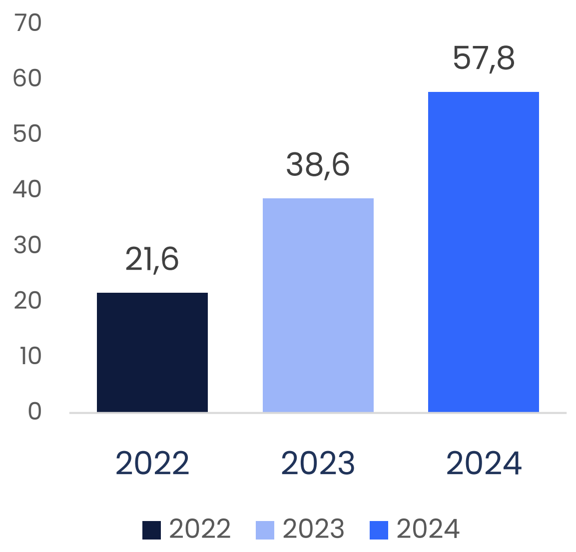
+15% YoY
+14% CAGR 2022-2024

ARR
(Annual Recurring Revenue)



+28% YoY
+49% CAGR 2022-2024

TCV
(Total Contract Value)



+50% YoY
+64% CAGR 2022-2024

Breakdown in turnover

By Product

	2022	2023	2024
Onboarding	43.1%	62.1%	60.4%
Authentication	37.9%	30.2%	31.0%
Digital Platform	3.2%	1.3%	1.0%
Consulting, support and others	15.8%	6.3%	7.6%

Per License / SaaS

	2023	2024
Licenses	53%	52%
SaaS	47%	48%

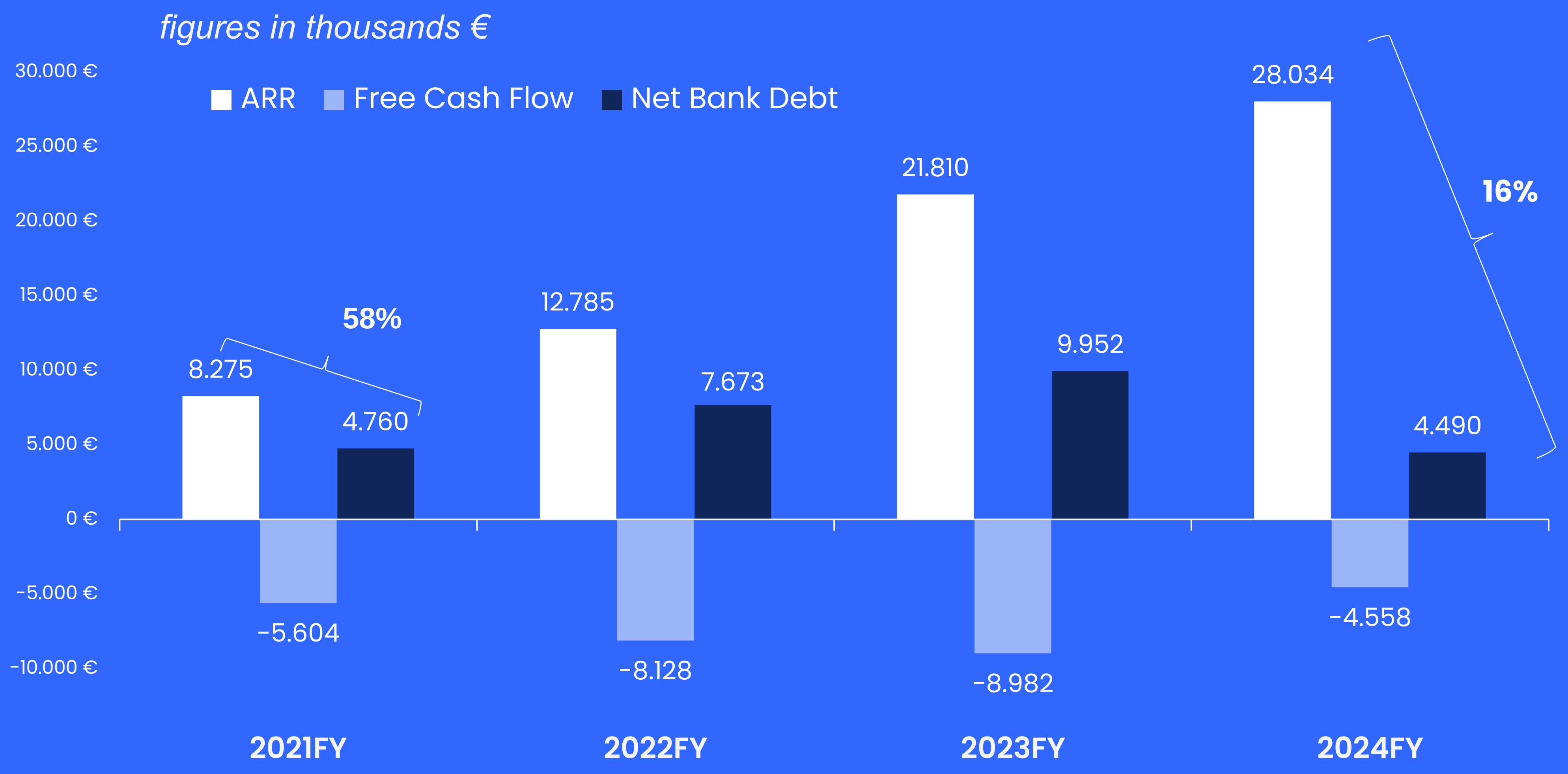
By Region

	2022	2023	2024
LATAM	95.5%	94.0%	94.7%
EMEA	2.2%	4.2%	1.3%
APAC	2.3%	1.7%	4.0%
Others	0.0%	0.1%	0.0%

By Sector

	2022	2023	2024
Banking	94.4%	93.5%	90.1%
Security Services	0.0%	0.0%	2.5%
Insurance / Pensions	3.5%	2.4%	3.0%
Software Consulting, Integration & Services	0.2%	1.0%	1.2%
Others	1.9%	3.1%	2.4%

Key Financial Indicators
ARR - Cash Flow – Net Bank Debt



Profit and Loss Account *(€000).*

	2023 Audited	2024 Audited	*Better / Worse (-)*
Total Income	**€29,811**	**€36,609**	**22.8%**
Net amount of turnover	€25,153	€28,875	*15%*
Turnover distributed over time	€311	€603	*94%*
Activation of Expenses	€4,171	€4,584	*10%*
Other Income	€176	€2,546	
Variable Costs	**€-7,409**	**€-9,594**	**-29%**
Cost of Sales	€-3,377	€-4,783	
Other operating expenses	€-4,032	€-4,811	
Fixed Costs	**€-21,467**	**€-25,983**	**-21%**
Employee expenses	€-13,329	€-17,226	
Other operating expenses	€-8,138	€-8,757	
Normalised EBITDA	**€935**	**€1,031**	**10.4%**
One-offs	**€-59**	**€-895**	**-1418%**
Employee expenses	€-235	€-898	
Other operating expenses	€-100	€-250	
Subsidies	€276	€253	
Other Income and Expenses	**€-7,931**	**€-7,467**	**6%**
Amortizations and Impairments	€-5,949	€-6,013	
Financial Expenses	€-1,982	€-1,712	
Interest and exchange rate variations		€258	
Profit before tax	**€-7,055**	**€-7,331**	***-3.9%***

Turnover reached €28.9 million, a growth of 15%. Total Contract Value (TCV) and Annual Recurring Revenue (ARR) grew by 50% and 28% respectively compared to 2023, gaining scale in line with the business plan.

The product is increasingly marketed under the Post-consumer format, mainly in SaaS mode (vs. On-premise), with quarterly billing, and in the case of the Pre-Purchase format with an annual renewal horizon instead of the multi-year contracts that have been the norm in recent years.

Investment in R&D&I grew by 10%, part of which was backed up and coordinated through the Tax Lease, a figure that allows both the tax structure and the cost and cash flow structure to be optimised.

Variable costs show direct costs related with sale, fees and direct commercial structure, as well as the supply of biometric products incorporated into our technology.

Normalised Ebitda exceeded €1 million, 10% higher than in 2023, although not comparable owing to the aforementioned new licensing model which impacts the way in which income is recognised.

Balance Sheet *(€000)*

Adjusted Working Capital - (subtracting to this end the Convertible Debt which, in 2025, is already Capital, and adding the balance of Monetisations receivable with the Treasury shown in the long-term) - improved by €8 million, rising from -2.3 million to +5.8 million.

Adjusted Net Financial Debt (subtracting convertible Debt which in 2025 is already Capital) was below €4.5 million, compared to €10.0 million in 2023, meaning that this parameter represents only 15% of turnover compared to 40% at the end of 2023..

	2023 Audited	2024 Audited	*Better / Worse*
Working Capital - Adjusted	**€-2,266**	**€5,712**	**€7,978**
Current assets	€19,105	€29,080	**€9,975**
Deferred Tax Assets (Short-term Monetisation)	€529	€1,562	**€1,033**
Current liabilities (excluding Convertible Debt)	€-21,900	€-24,930	**€-3,030**
Net Financial Debt - Adjusted	**€9,952**	**€4,490**	**€-5,462**
Financial Debt (without Convertible Debt)	€12,685	€10,226	**€-2,459**
Cash balance	€2,733	€5,736	**€3,003**

facephi

04

Conclusions

In 2024 we achieved exceptional performance, the upshot of more than a decade of strategic investment, technological innovation and global expansion. This year we consolidated a sound operational and financial base which is putting us in the right position for accelerated, sustained growth in the coming years.

Our business maturity is borne out by a robust technology proposition, a highly skilled team and a culture focused on customer experience. We are committed to talent and efficiency as differentiating factors on the market.

Key milestones include the launch of solutions such as Know Your Passenger for the airline industry, as well as key features for banking such as Behavioural Biometrics or Mule Account Detection, a move towards a promising 2025 with the upcoming launch of IDV Suite and key partnerships in Canada and the US.

We are also celebrating ten years as a listed company, a milestone that reasserts the confidence of our partners and investors.

On this basis, we are able to look towards the future with confidence, committing to continuous innovation, value creation and sustainable growth.


facephi

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED ANNUAL ACCOUNTS by Ernst & Young

To the shareholders of FACEPHI BIOMETRÍA, S.A.:

Report on the consolidated annual accounts

Opinion

We have audited the consolidated annual accounts of FACEPHI BIOMETRIA, S.A. (the Parent Company) and its subsidiaries (the Group), which comprise the balance sheet as of December 31, 2024, the income statement, the statement of changes in equity, the statement of cash flows, and the notes, all consolidated, for the year ended on that date.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the financial position of the Group as of December 31, 2024, as well as the results and cash flows for the year then ended, in accordance with the applicable regulatory framework (identified in note 2 of the notes) and the accounting principles and criteria contained therein.

Basis for Opinion

We conducted our audit in accordance with the regulatory standards governing audit activity in Spain. Our responsibilities under those standards are described in the Auditor's Responsibilities section related to the audit of the annual accounts included in our report.

We are independent of the group in accordance with the ethical requirements, including independence, that are applicable to our audit of the consolidated annual accounts in Spain, and we have fulfilled our other ethical responsibilities in accordance with those requirements. Regarding the group audit, the partners have not known nor been informed of any facts or circumstances that could have compromised their independence.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 2.e) of the notes to the accompanying consolidated annual accounts, which indicates that in the 2024 financial year, the Group incurred pre-tax losses amounting to 7.3 million euros. The directors of the Parent Company have prepared a cash flow projection for the next 16 months, which includes significant increases in revenue and a series of initiatives to strengthen its financial position. The principal shareholder of the Parent Company has committed to providing financial support, if necessary, for a period of no less than one year. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Emphasis of Matter section, we have determined that the matters described below are the key audit matters to be communicated in our report.

Revenue Recognition from Contracts with Customers

Description:	The Group has recorded, under the heading "Net revenue" in the consolidated income statement as of December 31, 2024, revenue from contracts with customers amounting to 28,875,373 euros, derived from both usage rights (licensing, support, SaaS services, or others) and access rights. We have considered this area as a key audit matter because the analysis of revenue recognition requires the application of judgments by management, identifying the performance obligations of the contract, and evaluating when to transfer control of the good or service to the customer to recognize revenue in the consolidated income statement at the appropriate time and amount involved. Information regarding the valuation standards applied and the corresponding breakdowns can be found in notes 3.15 and 13.a) of the consolidated notes.
Our Response	In relation to this area, our audit procedures included, among others, the following: • Understanding the process established by the Group's Management for revenue recognition. • Reviewing a sample of sales contracts signed with customers and other supporting documentation, analyzing the contractual terms and the different performance obligations derived (delivery of goods or services, licensing, support, SaaS services, or others) and verifying the appropriate accounting record.

	• Performing cut-off procedures for a sample of revenue transactions around the year-end to determine if they have been properly recorded in the corresponding period. • Obtaining external confirmations for a sample of customers regarding billed receivables pending as of December 31, 2024, and performing alternative procedures (document review and/or on-site visits) if necessary. • Reviewing the disclosures included in the consolidated notes and evaluating their compliance with the applicable financial reporting framework.

Recognition and Valuation of Development Expenses

Description	The Group has recorded, under the heading "intangible assets" in the consolidated balance sheet as of December 31, 2024, non-current assets classified as "Other intangible assets" amounting to 11,795,565 euros, of which 10,547,350 euros correspond to development projects that are in progress and are expected to be operational or commercialized during the following year. The capitalization of development expenses involves meeting certain conditions that are reviewed annually by the Group's financial management to ensure that there is no impairment in their carrying value. In this regard, the Group's Financial Management has conducted a detailed analysis of each ongoing project and concluded that all of them meet the established conditions for capitalization and subsequent valuation without the need for additional adjustments to the approved figures. Furthermore, the Group's Management reasonably estimates that there are no significant doubts about the future recovery expected from the use or planned commercialization of these assets. However, it is important to note that these estimates are subject to inherent risks and uncertainties in the current and future economic environment, as well as potential technological or regulatory changes that could negatively affect the projections made by the Group. We have considered this area as a key audit matter due to the significant degree of judgment exercised by the Group's Management to assess whether all necessary conditions for capitalizing these expenses are met, as well as due to the significant amount recorded under the heading "Other intangible assets."

	Information regarding the applicable valuation standards and the corresponding breakdowns is included in notes 3.3.a), 3.5, and 4 of the accompanying consolidated notes.
Our Response	In relation to this area, our audit procedures included, among others, the following: • Understanding the process established by the Group's Management for the recognition and valuation of development expenses for software applications. • Reviewing the compliance with the conditions set forth in the applicable regulatory and financial reporting framework for the capitalization of these developments and their subsequent transfer to software applications. • Selecting a sample of the capitalized expenses made during the year related to the various projects carried out by the Group and reviewing, on a selective basis, the compliance with the accounting standards and applicable financial reporting requirements. • Evaluating the methodology used by the Group's Management to allocate the corresponding costs to each project, as well as their allocation based on the percentage completed. • Assessing the model used to determine if there are indications that could affect the recoverable amount associated with these developments. In this regard, we evaluated whether internal or external indicators that could affect the recoverable value have been identified and reviewed the main assumptions used by Management to calculate this recoverable value. • During our review of the recoverable amount, we held meetings with the Financial Management and reviewed internal documentation related to the analysis performed and the reasonableness of the main assumptions used. • Review of the disclosures included in the consolidated notes and evaluation of their compliance with the applicable financial reporting framework.

Other Information: Consolidated Management Report

The other information exclusively comprises the consolidated management report for the year 2024, which is the responsibility of the directors of the Parent Company and is not part of the consolidated annual accounts.

Our opinion on the consolidated annual accounts does not cover the consolidated management report. Our responsibility regarding the audit report is to express an opinion on whether the information included in the consolidated management report is consistent with the consolidated annual accounts for the year 2024 and with the applicable regulations, based on the work carried out in accordance with the regulatory standards governing audit activity, which involves verifying that this information is consistent with the consolidated annual accounts and other information gathered during the audit process, and that its content and presentation comply with the applicable regulations. If, based on the work performed, we conclude that there are material inaccuracies, we are required to report them.

As a result of the work performed, as described in the previous paragraph, the information contained in the consolidated management report concerning the consolidated annual accounts for the year 2024 is consistent and its presentation complies with the applicable regulations.

Responsibility of the Parent Company's Directors and the Audit Committee in Relation to the Consolidated Annual Accounts

The directors of the Parent Company are responsible for preparing the consolidated annual accounts in such a way that they present a true and fair view of the assets, financial position, and results of the consolidated Group, in accordance with the applicable financial reporting framework in Spain, identified in note 21 of the report, and for the internal control they deem necessary to enable the preparation of consolidated annual accounts free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the directors of the Parent Company are responsible for assessing whether it is appropriate to apply the relevant accounting principle to continue as a going concern and to properly present related party transactions. In their assessment, the directors consider whether there are conditions or events that may raise significant doubts about the Group's ability to continue as a going concern for a period exceeding one year from the end of the financial year.

The audit committee of the Parent Company is responsible for overseeing the process of preparing, reviewing, approving, and presenting the consolidated annual accounts.

Auditor's Responsibilities in Relation to the Audit of the Consolidated Annual Accounts

Our objectives are to obtain reasonable assurance that the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion.

Reasonable assurance is a high level of assurance but does not guarantee that an audit conducted in accordance with the regulatory standards governing audit activity in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated annual accounts.

As part of an audit in accordance with the regulatory standards governing audit activity in Spain, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated annual accounts, including the disclosures, and whether the

consolidated annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- We obtain sufficient and appropriate evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision, and performance of the group audit. We are solely responsible for our audit opinion.

We communicate with the audit committee of the Parent Company continuously regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

We also provide the audit committee of the Parent Company with a statement that we have complied with the applicable independence standards and communicate all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

Among the matters communicated to those charged with governance/auditor/audit committee are those matters that have been the subject of discussion with them in accordance with the applicable international/national/legal/quality control standards related to the engagement performed.

We describe those matters that are most important in the audit unless legal or regulatory provisions prohibit public disclosure.

Report on Other Legal and Regulatory Requirements

Additional Report for the Audit Committee of the Parent Company

The opinion expressed in this report is consistent with that stated in our additional report for the audit committee of the Parent Company dated April 29, 2025.

Hiring period

The Ordinary General Shareholders' Meeting held on June 30, 2023, appointed us as auditors of the Group for a period of 3 years, starting from the financial year ended December 31, 2023.

Consolidated Annual Financial Statements and Consolidated Management Report
31 December 2024

Financial Statements Table of Contents

Consolidated Management Report

Consolidated Balance sheet 31st December 2024 (In Euros)		
ASSETS	31/12/2024	31/12/2023
A) NON-CURRENT ASSETS	20.629.725	26.605.685
I. Intangible fixed asset	11.795.565	11.845.693
II. Tangible fixed assets	2.363.073	2.650.151
IV. Non-current investments in group and associated companies	8.032	0
V. Non- current financial investments	166.727	140.916
VI. Deferred tax assets	1.800.197	4.901.032
VII. Commercial debtors	4.496.132	7.067.893
B) CURRENT ASSETS	29.080.896	19.105.825
III. Trade and other receivables	22.482.314	15.435.428
1. Clients from sales and provision of services	18.731.510	13.563.397
4. Other debtors	3.750.805	1.872.031
V. Current financial investments	179.833	169.261
VI. Short term accruals	682.453	767.869
VII. Cash and cash equivalents	5.736.296	2.733.267
TOTAL ASSETS	49.710.622	45.711.511
EQUITY AND LIABILITIES	31/12/2024	31/12/2023
A) EQUITY	19.192.653	20.043.048
A-1) Shareholders' equity	18.784.925	19.590.554
I. Capital	1.016.462	851.585
II. Share premium	31.045.346	24.231.301
III. Reserves	(5.445.435)	(788.808)
IV. (Treasury stock and shares)	(341.646)	(393.977)
VI. Result attributed to the parent company	(8.884.362)	(4.309.547)
VI. Other	1.394.560	
A-2) Adjustments for changes in value	(281.668)	(177.349)
II. Conversion difference	(281.668)	(89.830)
A-3) Grants, donations and legacies received	689.397	629.843
B) NON-CURRENT LIABILITIES	3.487.545	3.268.122
I. Non-current provisions	36.904	36.904
II. Non-current debt	920.430	3.021.270
2. Debt with financial institutions	905.151	2.927.486
3. Others	15.279	93.784
IV. Deferred tax liabilities	694.652	209.947
V. Non- current creditors	1.835.559	
C) CURRENT LIABILITIES	27.030.425	22.400.340
I. Current provisions	90.350	288.168
III. Current debt	11.406.069	10.164.051
2. Debts with financial institutions	9.171.315	8.603.348
3. Financial lease creditors	83.908	93.421
4. Other financial liabilities	2.150.847	1.467.282
V. Trade and other payables	14.798.418	10.809.252
1. Suppliers	6.290.459	3.775.612
4. Other payables	8.507.959	7.033.640
VI. Short term accruals	735.589	1.138.868
TOTAL EQUITY AND LIABILITIES	49.710.622	45.711.511

The attached Consolidated Report forms an inseparable part of the Consolidated Balance Sheet as at 31 December 2024.

Consolidated Profit and loss account 31st December 2024 (In Euros)		
	(Debits) Credits	
	31/12/2024	31/12/2023
A) CONTINUED OPERATIONS		
1. Net Revenue	**28.875.373**	**25.152.984**
b) Services provided	28.875.373	25.152.984
3. Work undertaken by the Company on its own assets	**4.584.481**	**4.170.850**
4. Supplies	**(4.782.928)**	**(3.377.271)**
a) Consumables	-	-
c) Work undertaken by third party companies	(4.782.928)	(3.377.271)
5. Other operating income	**2.545.872**	**176.256**
6. Staff expenses	**(18.123.733)**	**(13.563.693)**
a) Salaries, remunerations and similar expenses	(15.468.424)	(11.114.652)
b) Social contributions	(2.655.309)	(2.447.567)
c) Provisions	0	(1.475)
7. Other operating expenses	**(14.375.870)**	**(13.481.401)**
a) Loss, impairment and variation in provisions for trade operations	(13.946.228)	(12.204.206)
b) Taxes	(4.755)	(8.545)
d) Loss, impairment and variation in provisions for trade operations	(424.887)	(1.268.650)
8. Fixed assets depreciation	**(5.588.445)**	**(4.780.828)**
9. Allocation of grants related to non-financial fixed assets and other	**252.745**	**276.406**
11. Impairment losses and gains or losses on disposal of fixed assets	**2.784**	**3.421**
b) losses on disposals and other	3.421	3.421
14. Other profit / loss	**(59.626)**	**39.240**
A.1) OPERATING PROFIT/ LOSS	**(6.669.347)**	**(5.384.035)**
15. Financial expenses	**602.958**	**311.182**
b) From trade securities and other equity instruments	602.958	311.182
15. Financial expenses	**(1.522.104)**	**(1.710.362)**
17. Variations in the fair value of financial instruments	**0**	**(268.802)**
a) Trading portfolio and other	0	(268.802)
18. Adjustments for changes	**257.790**	**(3.050)**
b) Others adjustments for changes	257.790	(3.050)
19. Impairment losses and gains or losses on disposal of financial instruments	**0**	**0**
a) Impairment and losses	0	0
A.2) FINANCIAL PROFIT/ LOSS	**(661.356)**	**(1.671.032)**
A.3) PROFIT/ LOSS BEFORE TAX	**(7.330.703)**	**(7.055.067)**
24. Income tax	**(1.553.659)**	**2.745.520**
A.4) PROFIT/LOSS FROM CONTINUED OPERATIONS	**(8.884.362)**	**(4.309.547)**
A.5) PROFIT/LOSS FOR FINANCIAL YEAR	**(8.884.362)**	**(4.309.547)**
Result attributable to the parent company	**(8.884.362)**	**(4.309.547)**
Result attributable to the external partners	**-**	**-**

The attached Consolidated Report forms an inseparable part of the Income Statement as at 31 December 2024.

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR
ENDED DECEMBER 31ST 2024

(In Euros)

A) STATEMENT OF RECOGNIZED INCOME AND EXPENSES

	Notas de la memoria	31/12/2024	31/12/2023
A) RESULT OF THE INCOME STATEMENT		(8.884.362)	(4.309.547)
INCOME AND EXPENSES DIRECTLY ATTRIBUTED TO EQUITY			
III. Grants, donations, and bequests received	**11.2**	137.621	878.367
VII. Tax effect	**13.4**	(34.405)	(218.842)
B) TOTAL INCOME AND EXPENSES DIRECTLY ATTRIBUTED TO EQUITY (I + II + III + IV + V + VI + VII)		103.216	659.525
TRANSFERS TO THE INCOME STATEMENT			
X. Grants, donations, and bequests received	**11.2**	(252.745)	(276.406)
XIII. Tax effect	**13.4**	63.186	69.102
C) TOTAL TRANSFERS TO THE INCOME STATEMENT (VIII + IX + X + XI + XII + XIII)		(189.559)	(207.305)
TOTAL INCOME AND EXPENSES RECOGNIZED (A + B + C)		(8.970.705)	(3.857.327)

The attached consolidated report forms an inseparable part of the Consolidated Statement of Changes in Net Equity as at 31 December 2024.

B) Statement of Total Changes in Consolidated Equity
for the period ended December 31, 2024

in Euros

	Capital	Share premium	Other reserves of the Parent Company: Other reserves	Other equity instruments	(Own shares)	Reserves in consolidated: By global integration	Attributable profit for the year	ACV-Currency translation difference	Grants, donations, and bequests	TOTAL
Opening balance as of 01/01/2023	**697.311**	**15.560.800**	**108.379**		**(454.079)**	**(146.203)**	**1.106.667**	**4.030**	**177.622**	**15.213.199**
I. Total consolidated recognized income and expenses							(4.309.547)		452.221	(3.857.326)
1. Capital increases	154.274	7.745.721	(61.200)							7.838.795
2. Conversion of financial liabilities into equity		924.780								924.780
3. Transactions with treasury shares or equity interests of the Parent Company (net)			(50.206)		60.102					9.896
III. Other changes in equity			292.488			(932.066)	(1.106.667)	(181.379)		(86.296)
Closing balance as of 12/31/2023	**851.585**	**24.231.301**	**289.461**		**(393.976)**	**(1.078.270)**	**(4.309.547)**	**(177.349)**	**629.843**	**20.043.049**
Opening balance as of 01/01/2024	**851.585**	**24.231.301**	**289.461**		**(393.976)**	**(1.078.270)**	**(4.309.547)**	**(177.349)**	**629.843**	**20.043.049**
I. Total consolidated recognized income and expenses							(8.884.362)		(67.271)	(8.951.633)
II. Transactions with shareholders or owners				1.394.560						1.394.560
1. Capital increases	164.877	6.814.045	(21.975)							6.956.947
2. Transactions with treasury shares or equity interests of the Parent Company (net)			(118.778)		52.330					(66.448)
V. Other changes in equity			(206.328)			(4.309.547)	4.309.547	(104.319)	126.825	(183.820)
Closing balance as of 12/31/2024	**1.016.462**	**31.045.346**	**(57.620)**	**1.394.560**	**(341.646)**	**(5.387.816)**	**(8.884.362)**	**(281.668)**	**689.397**	**19.192.653**

The attached consolidated report forms an inseparable part of the Consolidated Statement of Changes in Net Equity as at 31 December 2024.

CONSOLIDATED CASH FLOW STATEMENTS CORRESPODING TO PERIOD ENDING IN DECEMBER 31 2024 (in Euros)		
	31/12/2024	**31/12/2023**
A) Cash Flows from Operating Activities		
1. Profit for the year before taxes	**(7.330.703)**	**(7.055.066)**
2. Adjustments to profit:	**6.423.474**	**7.679.094**
a) Depreciation of fixed assets (+)	5.588.445	4.780.828
b) Impairment adjustments (+/-)	424.887	1.268.650
c) Change in provisions (+/-)		238.411
d) Recognition of grants (-)	(252.745)	(276.406)
e) Profit or loss from disposals and sales of fixed assets (+/-)	(2.784)	(3.421)
g) Financial income (-)	(602.800)	(311.182)
h) Financial expenses (+)	1.522.104	1.710.362
i) Exchange rate differences (+/-)	(253.633)	3.050
j) Fair value changes in financial instruments (+/-)	0	268.802
3. Changes in working capital:	**2.714.882**	**726.366**
b) Debtors and other receivables (+/-)	(1.777.661)	(5.447.446)
c) Other current assets (+/-)	74.844	(332.785)
d) Creditors and other payables (+/-)	4.820.978	5.712.449
e) Other current liabilities (+/-)	(403.279)	794.148
4. Other cash flows from operating activities:	**(1.083.223)**	**(497.180)**
a) Interest payments (-)	(1.522.104)	(808.362)
c) Interest receipts (+)	0	311.182
d) Payments (receipts) for income taxes (+/-)	438.881	0
5. Cash flows from operating activities (+/-1 +/-2 +/-3 +/-4)	**724.430**	**853.214**
B) Cash Flows from Investing Activities		
6. Payments for investments (-):	**(5.285.083)**	**(9.861.823)**
a) Group and associated companies	(8.032)	0
b) Intangible assets	(5.004.878)	(8.343.976)
c) Tangible fixed assets	(246.362)	(1.517.847)
e) Other financial assets	0	0
g) Other assets	(25.811)	0
7. Receipts from divestments (+):	**2.784**	**29.455**
c) Tangible fixed assets	2.784	0
d) Investment properties		
e) Other financial assets		0
f) Non-current assets held for sale		
g) Other assets		29.455
8. Cash flows from investing activities (7-6)	**(5.282.298)**	**(9.832.368)**
C) Cash Flows from Financing Activities		
9. Receipts and payments from equity instruments:	**8.284.552**	**7.960.102**
a) Issuance of equity instruments	8.351.000	7.900.000
c) Acquisition of own equity instruments	(380.539)	(450.744)
d) Disposal of own equity instruments	314.091	510.846
10. Receipts and payments from financial liability instruments:	**(723.656)**	**1.583.201**
a) Issuance		
2. Debts with credit institutions (+)	0	5.235.888
4. Others (+)	823.000	500.000
b) Repayment and redemption of:		
2. Debts with credit institutions (-)	(1.546.655)	(1.273.715)
4. Others (+)	0	(2.878.972)
11. Payments for dividends and remuneration of other equity instruments	**0**	**0**
12. Cash flows from financing activities (+/-9+/-10-11)	**7.560.897**	**9.543.303**
D) Effect of changes in exchange rates	**0**	**(3.050)**
E) Net increase / decrease in cash and cash equivalents (+/-A +/-B +/-C +/-D)	**3.003.029**	**561.099**
Cash and cash equivalents at the beginning of the year	2.733.268	2.172.169
Cash and cash equivalents at the end of the year	5.736.297	2.733.268

The attached consolidated management report forms an integral part of the Consolidated Cash Flow Statement as at 31 December 2024.

REPORT ON THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024

NOTE 1. NATURE AND MAIN ACTIVITIES OF THE GROUP

a) Parent Company

FACEPHI BIOMETRIA S.A. (hereinafter the Parent Company) was incorporated for an indefinite period on 26 September 2012 before the notary public Ignacio J. Torres López. Its registered address is Edificio Panoramis, Avenida Perfecto Palacio de la Fuente 6, Alicante, Spain.

According to the Articles of Association, its corporate purpose is the following:

- Research, development and marketing of all kinds of information technology material: hardware, software and electrical appliances.

- Online sales by the Internet and/or similar distribution channels, import, export, representation, marketing, distribution, dealership, wholesale and retail sale, assembly, handling, manufacture and provision of related hardware, software services on physical support and through the sale of licenses for use, electronic products and components, electrical home appliances and telecommunications.

- Performance of Internet-based activities and provision of information and training services.

- Development, construction, acquisition, conveyancing, representation, leasing (except financial leasing), subleasing, installation or direct or indirect operation of consultancy services, urban land management, administration, custody and management of all kinds of real property, plots classified in any zoning category, buildings, single-family dwellings, apartments, condominiums, sports fields, residential buildings, premises and industrial or business facilities, hospitality establishments. All the above furnished or unfurnished, acting on its own behalf or that of third parties and with property of public and private ownership.

Currently, the main activity of FacePhi Biometría S.A. and subsidiaries (hereinafter Grupo FacePhi or the Group) consists of marketing and implementation of biometric facial recognition software developed by the Group itself and classified in category 845 of the National Classification of Economic Activities (CNAE).

The Group has been listed on BME Growth in the expanding enterprise segment since 1 July 2014 and on Euronext Growth in Paris since 25 February 2020.

Therefore, the Group is subject to the control and supervision regime provided for under Regulation (EU) 596/2014 on market abuse, the consolidated text of the Securities Market Act approved by Royal Legislative Decree 4/2015 of 23 October and concordant provisions, and by the Circulars issued by BME Growth.

b) Subsidiary and associated companies

Consolidation was performed by the full consolidation method to all subsidiaries, i.e. companies in which the Parent Company directly or indirectly exercises – or may exercise – its control, understood as the power to direct the financial and operating policies of a company in order to obtain economic benefits from its activities. This circumstance is evidenced (in general, but not exclusively) by direct or indirect ownership of more than 50% of the voting rights of the company in question. Subsidiaries are consolidated from the date on which control is transferred to the Group and are excluded from the consolidation perimeter on the date on which said control is relinquished.

The following table shows details, including the main activity and the registered address, of the companies that form part of the FacePhi Group:

Group Trading Company (Art. 42 Com. Code)	**% holding**	**Reg. address:**	**Main activity**
FacePhi Biometría, S.A.	Parent Company	Alicante (Spain)	Marketing of biometric facial-recognition systems
FacePhi APAC Ltd	100%	Pangyo (South Korea)	Marketing of biometric facial-recognition systems
Celmuy Trading, S.A.	100%	Montevideo (Uruguay)	Marketing of biometric facial-recognition systems
Facephi Beyond Biometrics, Ltd.	100%	London (UK)	Marketing of biometric facial-recognition systems
FacePhi Biometric Solutions Brasil Softwares Ltda	100%	Sao Paulo (Brasil)	Marketing of biometric facial-recognition systems

The Brazilian company is excluded from the consolidation perimeter since it has a relatively negligible effect on the 2024 Financial Statements.

The following was the equity position of the subsidiaries obtained from the unaudited accounting records as of 31 December 2024 and 31 December 2023 (as required):

	FacePhi Biometric Solutions Brasil Softwares Ltda		**FacePhi APAC, Ltd (*)**		**Celmuy Trading, S.A (*)**		**Facephi Beyond Biometrics Ltd (*)**	
	31.12.24	**31.12.23**	**31.12.24**	**31.12.23**	**31.12.24**	**31.12.23**	**31.12.24**	**31.12.23**
Called capital	8,032	---	516,390	516,390	187	187	116	116
Issue premium	---	---	---	---	---	---	---	---
Reserves	---	---	(196,221)	(212,630)	154,537	43,450	(3,018,934)	(909,089)
Outcome of the financial year	---	---	(144,231)	16,409	163,007	111,087	(1,599,374)	(2,109,845)
Conversion differences	---	---	(107,757)	(79,445)	(3,394)	(9,491)	(176,410)	(893)
Grants and subsidies	---	---	---	---	---	---	---	---
Net Equity	**8,032**	**---**	**68,181**	**240,724**	**314,336**	**145,233**	**(4,794,602)**	**(3,019,711)**
% holding	100%	---	100%	100%	100%	100%	100%	100%
Theoretical value of holding	**8,032**	**---**	**68,181**	**240,724**	**314,336**	**145,233**	**(4,794,602)**	**(3,019,711)**

(*) Exchange rate of the Brazilian Real (BRL), South Korean Won (KRW), Uruguayan Peso (UYU) and the Pound Sterling (GBP) to euros according to the currency conversion criteria described in note 3.1.

c) Changes to the consolidation perimeter

FacePhi Biometric Solutions Brasil Softwares Ltda was registered in the Companies Registry of Brazil under number CNPJ 55.870.286/0001-58. It was registered with a capital of 50.000 Brazilian reals (BRL), all fully paid up in the 2024 financial year. It is excluded from the consolidation perimeter since it has a relatively negligible impact on these financial statements.

There were no further changes to the consolidation perimeter during the financial year ended on 31 December 2024.

d) Business combinations

Acquisition of Ecertic Digital Solutions, S.L.

On 20 April 2020 the purchase agreement for acquisition of 100% of the share capital of the trading company Ecertic Digital Solutions, S.L. – until then a technology supplier – was executed for the sum of two million euros (€ 2,000,000). Group management considers that this transaction achieves the strategic objective of boosting the digital on-boarding service in its commercial portfolio and consolidating its leadership in the field of identification and authentication at both the domestic and the international levels. The transaction was settled by cash for the sum of 1,159,999 euros and provision of 164,706 of the Parent Company’s treasury shares for 840,001 euros, the fair value of the transferred shares.

Therefore, the agreed acquisition price entails the existence of an implicit goodwill fund amounting to 1,627,194 euros as at 31 December 2020 attributed to the technology provided by said company for development of the digital on-boarding solutions that the Company markets at the present time and is recognised, with its associated amortisation, on the Balance Sheet under the head of “Information Technology Applications” in the intangible assets account.

The merger agreements signed on 2 November 2021 and the project issued by the governing bodies of the absorbing company FACEPHI BIOMETRÍA, S.A. and the absorbed entity ECERTIC DIGITAL SOLUTIONS, S.L. were executed and notarised on 3 March 2022 with the applicable content and requirements laid down for this purpose in articles 30 and 31 of Act 3/2009 of 3 April on structural changes to trading companies.

The governing bodies of the two companies approved the merger transaction in accordance with the project on 9 November 2021. The absorbed company was acquired and liquidated by universal succession of its assets and the respective merger Balance Sheets as at 30 September 2021 were also approved. The effective carrying date of the absorbed company’s transaction was 1 January 2022.

In compliance with Article 51 of the Structural Changes Act, it was not necessary to seek approval of the merger from the General Meeting of the absorbed company since the absorbing company was the direct owner of 100% of the share capital of the absorbed limited liability company.

e) Joint ventures

In the 2023 and 2024 financial years, the Parent Company formed part of “UTE DH Healthcare Provider Software Spain, S.L.U – Facephi Biometria, S.A.” with a 21.08% holding in the consortium domiciled in Madrid that was incorporated to execute the object of the contract awarded by the Directorate of the National Institute of Health Management (INGESA) for installation and integration of a master system for hospital patients with biometric identification for the Melilla District Hospital, the Ceuta University Hospital and the Ceuta and Melilla primary attention system.

The estimated value of the contract is 711,490 euros and the execution period, starting in December 2021 is 38 months. Operations commenced during the 2024 financial year. The consolidation entry as at 31 December 2024 recognises the following percentage holdings:

	Euros	
Accounts	**Debit**	**Credit**
Trade debtors and other accounts receivable	110,909	
Credits from public authorities	477	
Others	1,789	
Treasury	340	
Inventory	110,090	
Bank charges	76	
Professional services	809	
Interest on debt	3	
Service provision sales		110,767
Trade creditors		110,662
Shares or holdings		3,063
Total	**224,493**	**224,493**

The inventory deregistration entry (expense) and trade creditors (liabilities) for the sum of 110,090 euros for reciprocal balances with the Parent Company was also recognised.

NOTE 2. ACCOUNTING CRITERIA APPLIED TO THE CONSOLIDATED FINANCIAL STATEMENTS

a) Regulatory framework of financial reporting applicable to the Parent Company

The Consolidated Annual Financial Statements have been drawn up on the basis of the accounting records and individual annual financial statements of the Parent Company and the consolidated subsidiaries. They include the restatements and reallocations required for temporal and valuation homogenisation with the accounting criteria under which the Group reports its financial information.

These Consolidated Annual Financial Statements are presented in accordance with the currently applicable commercial legislation set forth in the following regulations:

- the Commercial Code amended in accordance with Act 16/2007 of 4 July on the reform and adaptation of Spanish accounting-related commercial legislation for international harmonisation based on European Union regulations;

- Royal Decree 1514/2007 of 16 November that adopts the General Accounting Plan and the addition of subsequent amendments by Royal Decrees 1159/2010 of 17 September, 602/2016 of 17 December, 1/2021 of 12 January and the latest by means of Act 7/2024 of 20 December.

- Royal Decree 1159/2010 of 17 September that approves the rules for drafting Consolidated Annual Financial Statements in all aspects that do not contradict the provisions of the commercial reform mentioned above and other

- provisions of the applicable regulatory financial reporting framework.

b) True and fair image

These Consolidated Annual Financial Statements have been drawn up on the basis of the Group's accounting records in accordance with the regulatory financial reporting framework set forth above and with the accounting principles and criteria contained in the same, in such a way that they provide a true image of the Group's consolidated equity, financial position, accounting outcomes and the accuracy of the flows contained in the Consolidated Cash Flow Statement for the financial year in question.

The Consolidated Annual Financial Statements are presented in euros – the Group's functional and reporting currency – rounded up or down to the nearest whole number.

There are no exceptional reasons why accounting-related legal provisions have not been applied to show the true and fair view.

These Consolidated Annual Financial Statements, drawn up by the Parent Company's Board of Directors, will be submitted to the Ordinary General Meeting for approval and are expected to be approved without reservations or amendments. The Consolidated Annual Financial Statements for the 2023 fiscal year were approved by the General Meeting held on 28 June 2024.

c) Non-mandatory accounting criteria

No non-mandatory accounting criteria have been applied. The Parent Company's Board of Directors has also drawn up these Consolidated Annual Financial Statements taking all the mandatory accounting principles and standards that have a significant effect on said the same into consideration. No mandatory accounting criterion has been ignored.

d) Critical aspects of the assessment and estimates of uncertainty

The Parent Company's directors are responsible for the information set forth in these Financial Statements.

The Group's directors and senior managers are required to make certain estimates and assumptions when drawing up the Annual Financial Statements that affect application of the regulations and valuation of assets, liabilities, revenues, expenses and commitments. These estimates and assumptions are based on historical experience and other factors that are considered reasonable under the current circumstances.

The following is a breakdown of the aspects that have entailed a greater degree of judgement and complexity or those for which the hypothetical assumptions and estimation have been most significant during drafting of the Financial Statements:

- *Impairment of non-current assets*: valuation of non-current assets other than financial assets requires making estimations to determine their recoverable value for the purposes of assessing their potential impairment. To determine this recoverable value, the Parent Company's directors estimate the expected future cash flows of the assets or the cash-generating units of which they form part and use an appropriate discount rate to calculate the present value of said cash flows. The cash flows depend on fulfilment of the projections included in the business plan for the next five financial years while the discount rates depend on the interest rate plus the risk premium (see note 3.5).

- *Deferred tax assets* are recognised for all deductible temporary differences, negative tax bases pending compensation and deductions pending application for which it is probable that the Group will have future taxable earnings that enable application of these assets. The Parent Company's directors must make significant estimates to determine the amount of deferred tax assets that can be recognised, taking the amounts and dates on which future taxable profits will be obtained and the reversal period of taxable temporary differences into account. As at 31 December de 2024 the Group had recognised deferred tax assets totalling 1.7 million euros (4.9 million euros as at 31 December 2023) related to the R&D+i tax credit calculated – in view of the Group's intention to monetise said amount – at 80% of the value of the Binding Reasoned Report. In the 2023 financial year the Group also recognised negative taxable bases and unused tax credits which were derecognised in 2024 (see Note 12).

These estimates are based on the best information available for analysis of the relevant data as at 31 December 2024. Nevertheless, it is possible that future events may make it necessary to change them (upwards or downwards) in coming financial years. Said changes, if any, will always be made in a prospective manner in accordance with the provisions of Rule 22 of the General Accounting Plan, recognising the effects of any changes in the estimates in the associated Income Statement.

In view of the losses in the last two financial years and based on prudent criteria, during the 2024 financial year the Group derecognised deferred tax assets for negative taxable bases and outstanding rebates since the probability of recovery of the same is subject to fulfilment of the business plan, which entails estimates by the Parent Company. Nevertheless, the Board of Directors the and management of the Parent Company expect to generate taxable profit in the short term against which to apply these credits and deductions and therefore restate their valuation on the balance sheet.

e) The Group as a going concern

The group reported a turnover of 28.9 million euros at the end of the 2024 financial year (25.1 million euros in 2023).

The Group reports pre-tax losses amounting to 7.3 million euros at the end of the financial year (7.1 million euros in 2023) that includes 1.2 million euros of extraordinary expenses – mainly derived from non-recurring severance payments and bonuses – and 0.4 million euros for impairment mainly due to trade trade transactions (note 8.3). This means that the outcome would entail a loss of 5.7 million euros if these amounts were to be subtracted.

Working capital as at 31 December 2024 stood at plus €2.1 million euros (3.3 million euros in the red as at 31 December 2023). However, it should be noted that the convertible debts with the Group's majority shareholder (note 11.3) have a significant impact on the working capital and the above figure would subsequently be increased to +4.2 million euros.

Net Financial debt (excluding convertible equity debt already converted or in the conversion process at the drafting date of these financial statements) was 4.5 million euros as at 31 December 2024 compared to 10.0 million in 2023. In 2024, free cashflow generated 4.4 million euros more than in 2023.

Net equity stood at 19.2 million euros as against 20.0 million euros at the end of 2023.

Based on its strategic plan and budget for the 2025 financial year, the Parent Company's directors have drawn up a cash projection for the next 16 months with the following

1. As a result of the continued improvement in the cash conversion cycle, the free cashflow forecast includes significant increases in revenue based on the Group's estimates and will be positive or in the breakeven region in the most conservative scenario.
2. By simply renewing the working-capital credit lines that mature in December 2025, the Group will not need additional funds to finance its activity in the short term even under the most conservative budgetary scenario.
3. Accordingly, the Parent Company has already begun talks with the current banking pool referred to in section 2 above and with other financial institutions to set up a suitable financing structure. No financing agreement had been reached at the drafting date of these financial statements.
4. The Parent Company will again use the Tax Lease facility in 2025 as a way to optimise its investment resources in R&D+i and to enhance cash generation and tax deductions. This option is expected to generate 0.7 million euros in 2025 and 1.3 million in 2026.
5. Moreover, in the 2024 financial year the Group recognised an R&D&i expense rebate for 80% of the value of the Binding Reasoned Report (BRR) for deductions amounting to 1.6 million euros in the 2023 financial year since it expects to request monetisation of the same. The tentative collection date would be between December 2025 and January 2026 (note 12.4).
6. It is also worth noting that 0.6 million euros of the debt balance of 2.1 million held by the majority shareholder (Nice&Green S.A.) as an equity loan at the end of 2024 were converted in January 2025 and the remaining 1.5 million euros together with 0.5 million euros disbursed in January 2025 will be converted during the current year 2025 (Note 18).
7. Furthermore, the Group has the formal support and commitment of the main shareholder (N&G) to provide the Group with funds if necessary during the year following the drafting dat of these annual consolidated financial statements.

All these measures to strengthen the Group's financial position are set forth in the 2025 Budget and are known to and supported by the majority shareholder, the Board of Directors and by the management team's commitment to putting them into effect.

Based on the above, the Parent Company's directors have drawn up these Consolidated Annual Financial Statements on the basis of the going concern principal.

f) *Comparison of information*

In addition to the figures for the 2024 financial year, for comparative purposes these Consolidated Annual Financial Statements present, with each item on the Consolidated Balance Sheet, the Consolidated Income Statement, the Consolidated Statement of Changes in Net Equity, the Consolidated Cash Flow Statement and the quantitative information required in the notes to the Consolidated Financial Statements for the 2023 financial year approved by the Parent Company's Annual General Meeting.

The Management Report also contains comparative information from the previous year except when the accounting rules expressly state that it is not required.

g) *Changes in accounting criteria and correction of errors*

The Group has not made any restatement for changes of accounting criteria during the financial year ended 31 December 2024. The Group has rectified errors originating in previous financial years that entail a reduction of 206,328 euros in reserves and increase capital subsidies by 126,825 euros, movements that lack the importance that would require restatement of figures in the previous year's financial statements.

h) Grouping of accounts

In order to facilitate understanding of the Consolidated Income Statement, the Consolidated Statement of Changes in Net Equity and the Consolidated Cash Flow Statement, certain accounting heads are grouped together in this document. The analyses required are provided in the notes to the Consolidated Management Report.

i) Items entered to various sections

The Consolidated Report identifies and provides the amount of the equity items that are recognised in more than one entries on the Consolidated Balance Sheet.

j) Relative importance

The Parent Company, in accordance with the Conceptual Framework of the General Accounting Plan, has taken the relative importance of the items in the Financial Statements or other matters in relation to the Consolidated Annual Financial Statements for the 2024 financial year into account when deciding which information shall be broken down in the Consolidated Report.

NOTE 3. RECOGNITION AND VALUATION RULES

The following are the main recognition and valuation standards employed by the Facephi Group when drawing up these Consolidated Annual Financial Statements:

3.1 Consolidation principles

The following are the main criteria used in consolidation.

<u>Acquisition of control</u>

Acquisitions by the Parent Company (or any other Group company) to obtain a controlling interest in a subsidiary constitutes a business combination that is accounted for using the acquisition method. This method requires the acquiring company to recognise the acquired identifiable assets and liabilities at full fair value on the acquisition date in a business combination and, as required, the associated goodwill or negative difference. Subsidiaries are consolidated from the date on which control is transferred to the Group and are excluded from the consolidation perimeter on the date on which said control is relinquished.

The acquisition cost is deemed to be the sum of the fair values at the acquisition date of the acquired assets, liabilities, the equity instruments issued by the acquirer and the fair value of any contingent consideration that depends on future events or fulfilment of certain conditions, which must be recognised as an asset, a liability or as net equity according to their nature.

Expenses related to the issuance of equity instruments or the financial liabilities assumed do not form part of the price of the business combination and are recognised in accordance with the regulations applicable to financial instruments. Fees paid to legal counsel or other professional persons involved in the business combination are recognised as expenses as they are incurred. Neither do internal costs incurred for these items form part of the cost of the business combination or any other applicable expenditure that the acquired entity would have incurred in any case.

The excess of the price of the business combination on the acquisition date over the proportional part of the value of the identifiable assets acquired minus that of the liabilities assumed that represents the holding in the acquired entity is recognised as goodwill. In the exceptional event that this amount exceeds the cost of the business combination, the excess shall be recognised as revenue in the Income Statement.

Since there effective control, the assets, liabilities, income, expenditure, cash flows and other items in the Group companies' Annual Financial Statements are included in the Group's Consolidated Financial Statements using the full consolidation method.

Effective control is understood to exist in relation to subsidiaries in which the Parent Company has a direct or indirect holding in excess of 50% that entails control of the majority of the voting rights in the associated governing bodies.

This method requires the following:

Temporal homogenisation

The subsidiaries' individual annual financial statements shall be drawn up as on the same date and for the same period as the annual financial statements of the Parent Company required to consolidate.

Valuation homogenisation

Assets, liabilities, income, expenditure and other items in the Group companies' annual financial statements shall be valued by applying identical methods. The valuation of any asset, liability, income or expenditure assessed according to criteria different from those applied for consolidation must be valued again and the required restatements shall be made for the sole purpose of consolidation.

Aggregation

Items of the previously-harmonised individual annual financial statements may be aggregated according to their nature.

Elimination of investment-net equity

The book values representing the subsidiary's equity instruments directly or indirectly owned by the Parent Company are offset with the proportional part of the equity items of the aforesaid subsidiary attributable to these holdings. In general, this compensation will be made on the basis of the values resulting from applying the acquisition method as set forth above. In consolidations subsequent to the financial year in which control was acquired, the excess or shortfall of the equity generated by the subsidiary from the acquisition date shall be reported in the Consolidated Balance Sheet under the head of *Reserves* or *Restatements due to value changes* in accordance with their nature. The part of the excess or shortfall attributable to the external partners must be entered in the "External partners" item.

Holdings by external partners

There were no external partners as at 31 December 2024 or 2023.

Elimination of intragroup items

Credits and debts, income and expenditure and cash flows between Group companies have been totally eliminated. Furthermore, all outcomes produced by internal transactions are eliminated and deferred until they are charged to third parties outside the Group.

Conversion of the annual financial statements of the foreign subsidiaries

All assets and liabilities of companies the functional currency of which is different from the euro and that are included in the consolidation are converted to euros using the exchange rate at the end of each year.

Items in the Income Statement have been converted at the exchange rates on the dates on which the associated transactions were performed.

The difference between the amount of equity of foreign companies including the balance of the Income Statement calculated in accordance with the previous section, converted at the historical exchange rate and the net equity resulting from conversion of assets and liabilities in accordance with paragraph one are entered with a positive or negative sign, as required, in the net equity of the Consolidated Balance Sheet under the head of Conversion Differences.

Goodwill and restatement of fair value of Balance Sheet items that arise when acquiring a holding in a foreign undertaking are treated as assets and liabilities of the acquired entity and are therefore converted at the interest rate at year's end and the exchange differences that arise in the aforesaid account are entered to Conversion Differences.

3.2 Business combinations and joint ventures

Business combinations are considered to consist of transactions in which the majority shareholder gains direct or indirect control of one or more undertakings, understood as an integrated group of activities and assets that can be managed to provide earnings or to lower costs or provide other benefits to the owners.

The merger, spin-off and non-monetary contribution transactions of a business between Group companies are recognised by valuing the equity instrument acquired at their book values in the consolidated annual financial statements of the last Spanish parent company on the date on which the transaction was performed. Any differences that may arise are entered against reserves. The effective accounting date is the start date of the financial year in which the transaction is approved.

Merger or spin-off transactions other than the above and business combinations arising from acquisition of all the equity components of an undertaking or of a party that constitutes one or more businesses, are recognised by valuing the acquired equity components by the acquisition method. This means that these assets and liabilities will be valued as a general rule at their fair value on the date of the transaction provided that this can be reliably measured and, as required, the difference between the cost of the business combination and the value of said assets and liabilities will be entered as goodwill if it is positive or as income in the Income Statement if it is negative. The acquisition date is the date on which the acquiring company gains control of the target enterprise or enterprises.

In accordance with the currently applicable commercial legislation, for integration and accounting recognition of transactions carried out with consortiums (UTE) of which the Group is a member, the proportional part of the UTE's balances shall be accounted for in the Consolidated Balance Sheet and Income Statement as a function of the percentage holding. This addition shall be performed once the required homogenisation and elimination of the transactions between the Group and the UTE have been carried out in proportion to the associated holding, the asset and liability balances and the reciprocal income and expenditure.

3.3 Intangible fixed assets

Assets entered under intangible fixed assets are recognised at their acquisition price or production cost. Intangible fixed assets are reported at cost minus depreciation and, as appropriate, minus any accumulated value restatements due to impairment.

Intangible fixed assets are assets with a defined useful life and therefore must be written off over their useful economic life, defined as the time during which it is reasonably expected that the financial benefits inherent to the asset will produce returns for the Group.

At all events, they must be analysed at least once a year to detect any indication of value impairment in order to restate their carrying value as required.

a) Software development expenses

The *development expenses* of the information technology applications that are subsequently marketed are capitalised at the time all the following conditions are met:

- there is a specific, individualised project that enables reliable assessment of the disbursement attributable to completion of the same;
- allocation, attribution and distribution over time of the costs of each project are clearly established;
- there are well-founded reasons for a technically successful conclusion to the project at all times, whether the Company intends to operate it directly or to sell resulting product to a third party if there is a market for the same once the project is concluded;
- the financial-commercial profitability of the project is reasonably assured;
- financing to complete the projects in question is reasonably well assured; in addition to the availability of suitable technical or other resources to complete the project and to use or sell the intangible fixed asset, financing to enable completion of the projects is reasonably assured;
- the Group intends to finish the intangible fixed asset in question in order to use or sell it.

Fulfilment of all the above conditions is verified over all the financial years during which the project is developed. The amount capitalised is that applicable the moment all the aforesaid conditions are fulfilled.

Own personnel expenses and the costs of the services acquired from third parties that have participated in development of the applications and computer software are included as increased costs of the same with payment under the head of "Work carried out by the Group for its fixed assets” in the Consolidated Income Statement.

Other development expenses are recognised as expenses when they are incurred. Development costs previously recognised as expenses are not restated as assets in subsequent years. In accordance with the conditions indicated above in this section, capitalised development costs are amortised on a straight-line basis during their estimated useful life – which shall not exceed five (5) years – for each project.

Estimates of impairment of intangible assets are based on calculation of the future cash flows derived from fulfilment of the business plan drawn up by Group management and updated at a market discount rate. Said plan supports the commercial success of capitalised development spending and the expectation that it will be recovered.

As at 31 December 2024 and 2023 the Parent Company estimates that there is no indication of impairment of intangible assets since the directors are reasonably sure that the business plan will be fulfilled, which means that on the basis of their forecasts, all the intangible assets and tax credits will be fully recovered in the coming financial years.

b) Software

Computer program licenses acquired from third parties are capitalised on the basis of the costs incurred for acquisition of the programs and for configuring them for use in specific applications. These costs are written off over their estimated useful lives on a straight-line basis over a period of five (5) years.

Expenses related to maintenance of computer programs are recognised as expenses when they are incurred. Costs directly related to the production of unique and identifiable computer programs controlled by the Group and which are likely to generate earnings in excess of costs for more than one year are recognised as intangible assets. Direct costs include the personnel costs of the software development and an appropriate percentage of overheads.

c) Intellectual property

Intellectual property is valued at its acquisition cost or that of the right to use or to assign the use of the various versions of the program provided that, due to the contractual monetary conditions, said assets are posted to the inventory of the acquiring company. Intellectual property includes but is not limited to: patents for inventions, utility model protection certificates, industrial design and other modalities consistent with the applicable legislation.

Intellectual property rights are valued at the acquisition price or production cost. The book value of development expenses capitalised at the time the associated patent or similar right is obtained – including the cost of registration and formalisation of the intellectual property – are recognised as such provided that the legal conditions required for registration in the appropriate registry are met and without prejudice to the amounts that could also be recognised for acquisition of the associated rights from third parties. Research expenses continue to be written off at the same rate and under no circumstances shall they be posted to the book value of the intellectual property. The useful life is estimated at between 10 and 20 years.

3.4 Tangible fixed assets

Property, plant and equipment are recognised at acquisition price or production cost minus accumulated depreciation and the accumulated cost of recognised losses.

The costs of the extension, modernisation or improvement of tangible fixed assets are incorporated within the asset as an increase in its value only if they represent an increase in its capacity, productivity or an extension to its useful life, and wherever it is possible to calculate or estimate the book value of the elements cancelled from the inventory having been replaced.

Major repair costs are capitalised and written off over their estimated useful life. Recurring maintenance expenses are charged to the Income Statement for the financial year in which they are incurred.

With the exception of land, which is not depreciated, depreciation of property, plant and equipment is calculated on a straight-line basis depending on the nature of the asset and taking the wear and tear actually suffered due to its operation, use and enjoyment into account.

The following are the estimated depreciation data of the main items:

	Annual	Years of useful	Method
Buildings (*)	10%	10	Straight-line
Other facilities	10% - 20%	5 / 10	Straight-line
Furnishings	10% - 20%	5 / 10	Straight-line
I.T. equipment	13% - 25%	4 - 7	Straight-line
Other tangible fixed assets	10% - 20%	5 / 10	Straight-line

(*) 10 years taking the leasing period of the property into account.

The residual value and useful life of assets are reviewed and restated if necessary on the date of each Consolidated Balance Sheet.

The value of an asset is immediately reduced to its recoverable amount whenever its book value is higher than its estimated recoverable amount.

Income and losses from the sale of property, plant and equipment are calculated by comparing the income obtained from the sale with the book value and are recorded in the Income Statement.

3.5 Impairment of non-financial assets

The directors assess whether there are indications of impairment of non-current assets at least at the close of each financial year. Their recoverable values are estimated if such evidence is found.

The recoverable amount is the fair value minus the cost of sale or the value in use, whichever is higher. A loss by impairment is recognised if the book value is higher than the recoverable amount. Value in use is the net present value of expected future cash flows using risk-free market interest rates adjusted for the specific risks associated with the asset. The recoverable value of assets that do not generate cash flows largely independent of those derived from other assets or groups of assets is determined by the cash-generating units to which said assets belong.

Valuation restatements for impairment and reversal of the same are recognised in the Consolidated Income Statement. Except for those associated with goodwill, valuation restatements for impairment are reverted when the circumstances that gave rise to them cease to exist. Reversion of impairment is limited to the book value of the asset that would be applicable if the associated impairment had not been previously recognised.

The Parent Company's directors have updated their five-year business plan that forms the basis on which a new impairment test for non-financial assets will be conducted.

3.6 Financial assets

Classification of financial instruments

Financial instruments are classified at the time of initial recognition as financial assets, financial liabilities or equity instruments depending on the definition of their financial nature in the contractual agreement and on the definitions of financial asset, financial liability or equity instrument.

The Group classifies financial instruments into one category or another depending on their characteristics and the governing body's investment strategy at the time of initial recognition.

Compensation criteria

Financial assets and liabilities are subject to compensation only when the creditor has an enforceable right to compensate the amounts recognised and intends to settle the net amount or to simultaneously liquidate the asset and cancel the liability.

Assets at amortised cost

If the Group holds an investment solely for the purpose of receiving cash flows arising from execution of the contract and the contractual conditions of the financial asset entail cash flows that are exclusively payments of capital and interest on the outstanding principal on specific dates, the financial asset shall be recognised in said category even when it is listed for trade on an organised market.

As a general rule, this category includes debits for both trade and non-trade transactions:

a. Credits for trade transactions: these are financial assets that originate in the disposal of goods and provision of services for the Group's trade transactions with deferred payment, and

b. Credits for non-trade transactions: these are financial assets which – not being equity instruments or derivatives do not originate in trade transactions and the collection of which is a specific or specifiable amount – arise from transactions involving loans or credits granted by the Group.

Initial valuation

Financial liabilities classified in this category are initially recognised at fair value which, unless there is evidence to the contrary, will be the transaction price which in turn is equal to the fair value of the consideration plus any transaction costs directly imputable to the liability in question.

Notwithstanding the above, credits for trade transactions with maturity at no more than one year that do not have a contractual interest rate, credits to personnel, dividends pending collection and demand disbursements on equity instruments may be valued at their face value when the effect of not updating the cash flows is not significant.

Subsequent valuation

Financial assets recognised in this category are valued at their amortised cost. Accrued interest is charged to the Income Statement on the basis of the effective interest rate method.

Nevertheless, credits with a maturity of no more than one year which – in accordance with the provisions of the above section are initially recognised at par – will continue to be valued at said amount unless they have been impaired.

The Group will consider whether an impairment loss should be recognised if the contractual cash flows of a financial asset change due to the issuer's financial difficulties.

Value impairment

The required valuation restatements must be made at least at the end of each financial year if there is objective evidence that the value of a financial asset or a group of financial assets with similar collectively-assessed risk characteristics has suffered impairment as a result of one or more events having occurred after their initial recognition and which cause a reduction or delay – that may be due to the debtor's insolvency – in the estimated future cash flows.

Losses due to value impairment of these financial assets shall be the difference between their book value and the net present value of their estimated future cash flows, including any flows originating in the estimated outcome of execution of real or personal guaranties, discounted at the effective interest rate at the time of initial recognition of the asset. The effective interest rate on the closing date of the Consolidated Annual Financial Statements shall be used for financial assets with variable interest rates in accordance with the contractual conditions. Models based on statistical formulas or methods may be used to calculate impairment losses on a group of financial assets.

Impairment losses and reversal of the same shall be recognised as expenses or revenue respectively in the Consolidated Income Statement if the amount of such losses decreases for reasons related to a subsequent event. Reversal of the impairment is recognised as income and is limited to the book value of the financial asset that would be recognised on the reversal date if the impairment had not been posted.

Notwithstanding the above, provided there is a sufficiently reliable estimate of the recoverable amount, the Group may take the market value of instruments traded on an open market as a substitute for calculation of the present value of future cash flows.

Recognition of interest on financial assets with credit impairment will follow the general rules, without prejudice to the fact that at the same time the Group must assess whether said amount will be recovered and, if necessary, account for the associated impairment loss.

Financial assets carried at cost

The following securities shall be included in this category:

a) Investments in the equity of group, multi-group and associated companies as defined in rule 13 on drafting annual financial statements in the Spanish General Accounting Plan.

b) All other investments in equity instruments the fair value of which cannot be determined by reference to a quoted price on an active market for an identical instrument or cannot be estimated reliably and all derivatives for which said instruments are the underlying security.

c) Hybrid financial assets the fair value of which cannot be reliably estimated unless the requirements for their recognition at amortised cost are met.

d) Contributions made as a consequence of an equity account or similar contract.

e) Equity loans the interest of which is contingent in nature, either because a fixed or variable interest rate is conditional upon the borrowing company achieving a milestone (for example, making a profit) or because said interest is calculated exclusively by reference to variations in the activity of the company in question.

f) All other financial assets that would initially be classified in the fair value portfolio with changes in the Income Statement when a reliable estimate of their fair value cannot be obtained.

Initial valuation

Investments in this category will be initially valued at cost, which will be equivalent to the fair value of the consideration paid plus the transaction costs directly attributable to them. In the case of transactions between Group companies, the applicable criteria set forth in section 2 of Recognition and Valuation rule 21 and the criteria for determining the cost of the combination set forth in the Business Combination rule of the General Accounting Plan must be applied.

Nevertheless, in the event of an investment made prior to classification of the entity as a group, multi-group or associate company, the cost of said investment will be considered to be its book value immediately before the company became a member of the group.

The value of any preferential subscription rights and any similar items acquired will form part of the initial valuation.

Subsequent valuation

Financial assets recognised in this category are valued at cost minus the accumulated amount of value restatements due to impairment, if any.

If a value is to be assigned to these assets due to deregistration from the Balance Sheet or any other reason, the weighted average cost method by homogeneous groups – understood as securities with equal rights – shall be applied.

The cost of preferential subscription and other similar rights will decrease the book value of the respective assets in the event of sale or separation of the same in order to exercise them. Said cost shall be determined by applying a generally-accepted valuation formula.

Payments made as a result of a joint venture or similar agreement will be valued at cost, increased or decreased by any profit or loss attributable to the company as a non-managing partner and minus any accumulated impairment valuations as required.

The same criteria shall be applied to equity loans the interest of which is contingent in nature, either because a fixed or variable interest rate conditional upon the borrowing company achieving a milestone (for example, making a profit) is agreed or because said interest is calculated exclusively by reference to variations in the activity of the company in question. If, in addition to contingent interest, an irrevocable fixed interest rate is agreed, the latter shall be entered as financial income as it accrues. The transaction costs shall be attributed to the Income Statement on a straight-line basis throughout the life of the equity loan.

Value impairment

The required valuation restatements must be made at least at the end of each financial year if there is objective evidence that the book value of an investment will not be recovered.

The amount of the valuation restatement will be the difference between its carrying value and the recoverable amount understood as the fair value minus cost of sale or the present value of the future cash flows from the investment, whichever is greater. In the case of equity instruments, the amount of the restatement shall be calculated either by estimating the expected cash flows as a result of allocation of dividends by the investee and disposal or write-off of the investment in the same or by estimating the Company's share of the cash flows expected to be generated by the investee from both its ordinary activities and from disposal or write-off of the same.

In the absence of better evidence of the recoverable amount of investments in equity instruments, the impairment loss estimate for this class of assets will be calculated on the basis of the equity of the investee and the tacit capital gains existing at the valuation date net of tax effect. Provided that the investee has invested in another company in turn, this value shall be calculated by taking the equity set forth in the consolidated financial statements into account and applying the criteria of the Commercial Code and its development rules.

If the investee is domiciled outside Spanish territory, the net equity to be taken into account will be annotated according to the rules set forth in the General Accounting Plan. However, if high inflation rates are involved, the values to be considered will be those resulting from the restated financial statements as set forth in the foreign currency rule.

As a general rule, the indirect equity-based estimation method may be used in cases where it can be applied to demonstrate a minimum recoverable amount without the need for a more complex analysis when it can be inferred that no impairment has occurred.

Recognition of value impairment restatements and their reversal, if any, will be entered respectively as an expense or as revenue in the Consolidated Income Statement. Reversal of the impairment will be limited to the carrying value of the investment that would have been recognised on the reversal date if the impairment had not occurred.

However, in the event of an investment in the company prior to its classification as a group, multigroup or associate company, and if valuation restatements have been made directly attributable to the equity resulting from said investment prior to the aforesaid classification, these restatements shall be maintained after the classification until the investment is disposed of or written off – at which time they shall be recognised in the Income Statement – or until the following circumstances occur:

a) In the case of prior valuation restatements for increases in value, valuation impairment restatements will be entered against the item of equity that includes the previously-made valuation restatements up to the amount of the same and the excess, if any, will be recognised in the Consolidated Income Statement. Value impairment restatements imputed directly to Net Equity shall not be reversed.

b) In the case of prior valuation restatements due to write-downs that result in a recoverable amount greater than the carrying value of the investments, the latter will be increased up to the limit of the write-down against the item to which the valuation restatements were imputed. From that point on the resulting balance will be considered to constitute the cost of the investment. However, in the event of objective evidence of impairment in the value of the investment, the losses accumulated directly in net equity will be recognised in the Income Statement.

Interest and dividends

Interest and dividends on financial assets accrued after acquisition are recognised as revenues in the Consolidated Income Statement. Interest from financial assets valued at amortised cost must be recognised on the basis of the effective interest rate method, and dividends when they are allocated to the shareholder entitled to receive them.

For these purposes, taking into account the maturity of the financial assets, the sum of the explicit interest accrued and not due at that moment and the sum of the dividends agreed by the competent body up to the time of acquisition are independently recognised in the initial valuation of said assets. “Explicit interest rate” is understood to mean that obtained by applying the contractual interest rate of the financial instrument.

Deregistration of financial assets

The Group will write off a financial asset, or part of it, when the contractual rights to the cash flows of the financial asset expire or have been assigned. For this to happen, the risks and benefits inherent in ownership of the asset must have been substantially transferred. Said risks and benefits are assessed by comparing the exposure of the Group to variation in the amounts and timing of the net cash flows of the assigned asset before and after transfer of the same.

The risks and benefits of ownership of the financial asset shall be understood to have been substantially assigned when their exposure to said variation is no longer significant with respect to the total variation in the present value of the future net cash flows associated with the financial asset.

If the Group has not substantially assigned or retained the risks and benefits of ownership, the financial asset will be written off when the Group has failed to retain control of it. Occurrence of this circumstance will depend on the capacity of the transferee to unilaterally transfer the entire asset to an unrelated third party without imposing conditions. The transferring company will continue to recognise the transferred asset for the amount to which the Group is exposed to variations in the value of the same (i.e. the company is still involved with the asset) and will recognise an associated liability if the former retains control of it.

The gain or loss arising from derecognition when the financial asset is written off forms part of the revenue for the year in which it occurs and is determined by the difference between the consideration received net of any attributable transaction costs, taking any new asset acquired minus any liability assumed and the book value of the financial asset plus any accumulated earnings already recognised directly in equity into account.

The above criteria shall also be applied to transfers of a group of financial assets or a part of the same.

3.7 Financial liabilities

Financial liabilities are classified into the following valuation categories: amortised cost financial liabilities and fair value financial liabilities with changes in the Income Statement.

Financial liabilities measured at amortised cost

The Group classifies financial liabilities into the following valuation categories: amortised cost financial liabilities and fair value financial liabilities with changes in the Income Statement.

As a general rule, this category includes debits for both trade and non-trade transactions:

a) Debits for trade transactions are financial liabilities that originate in acquisition of goods and services for the Company’s trade transactions with deferred payment, and

b) Debits for non-trade transactions: these are financial liabilities which – not being derivative instruments – do not originate in trade transactions but in transactions involving loans or credits received by the company.

Initial valuation

Financial liabilities classified in this category are initially recognised at fair value which, unless there is evidence to the contrary, will be the transaction price which in turn is equal to the fair value of the consideration plus any transaction costs directly imputable to the liability in question.

Notwithstanding the above, debits for trade transactions with maturity at no more than one year that do not have a contractual interest rate and disbursements required by third parties on holdings the amount of which is expected to be paid in the short term, may be valued at their face value when the effect of not updating cash flows is negligible.

Subsequent valuation

These financial liabilities are subsequently valued at their amortised cost. Accrued interest is charged to the Consolidated Income Statement on the basis of the effective interest rate method.

Nevertheless, debits with a maturity of no more than one year which – in accordance with the provisions of the above section are initially recognised at face value – will continue to be valued at said amount.

Deregistration and modification of financial liabilities

The Group will deregister a financial liability, or part of it, when the associated obligation has extinguished; i.e., when it has been settled, cancelled, or has expired. It will also write off any of its own financial liabilities that it may acquire even when the intention is to reallocate them in the future.

The difference between the book value of the financial liability – or the part of it that has been written off – and the consideration paid including directly-attributable transaction costs that also include any assigned asset different from the cash or liability assumed, is recognised in the Consolidated Income Statement for the financial year in which it occurs.

3.8 Net equity

The Parent Company's capital stock is represented by shares. Incremental costs directly attributable to the issuance of new shares or options are reported in net equity as a deduction, net of taxes, from the amounts obtained.

a) <u>Own equity instruments held by the Parent Company (treasury shares)</u>

Acquisition of equity instruments by the Parent Company is recognised separately at the acquisition cost as a reduction of the equity on the Consolidated Balance Sheet. No result is recognised in the Income Statement for transactions capitalised with treasury stock.

Transaction costs related to treasury stock are recorded as a reduction in reserves once any tax effect has been considered.

b) <u>Capital increases by issuance of options convertible into own equity instruments</u>

The Parent Company uses the stock option issuance method (equity warrants (EW)) in order to obtain financing for its expansion plans. A financial derivative is created if the fixed-for-fixed swap rule is not observed in accordance with the conditions of the options issue. The fixed-for-fixed swap rule is met if the only possible settlement of the instrument is by delivery of a fixed number of treasury shares for a fixed price.

Since the financial derivative created is not considered to constitute a hedging instrument, it is recognised at its fair value in the Consolidated Income Statement at its valuation time at each accounting closure date.

The fair value of the derivative is determined using option pricing models that take the life of the option, the market price of the underlying assets, the expected volatility of the shares and the risk-free interest rate during the life of the option into account.

Variations in the fair value of the derivative during its life (that is, from the date of signature to exercise of the option), are recognised in the consolidated financial statements as a financial cost/revenue. The derivative is written off the Balance Sheet on the conversion date of the options into shares and the cash received for the conversion – plus/minus the accumulated fair value of the derivative until that moment – is charged to capital and reserves (plus issue premium).

3.9 Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand bank deposits with credit institutions. Other highly-liquid short-term investments are also included under this head provided that they are easily convertible into specified amounts of cash and that their time to maturity does not exceed three months.

The Group reports payments and receipts from high-turnover financial assets and liabilities for their net value in the Cash Flow Statement. For these purposes, the rotation period is considered high when the period between the acquisition and the expiration dates does not exceed six months.

3.10 Classification of assets and liabilities as current or non-current

Assets and liabilities reported on the Consolidated Balance Sheet are classified into current or non-current. For these purposes, current assets or liabilities are those that meet the following criteria.

- Assets are classified as current when they are expected to be capitalised, are held for sale or consumption in the course of the normal operating cycle, are held fundamentally for trading purposes, are expected to be capitalised within the twelve months following the accounting closure date or are composed of cash and cash equivalents except in cases where they cannot be exchanged or used to settle a liability within at least the twelve months following the closure date.

- Liabilities are classified as current when they are expected to be settled within the normal operating cycle, are held primarily for trading, must be settled within twelve months of the closing date or there is no unconditional right to postpone cancellation of the liabilities during the twelve months following the closing date.

- Financial liabilities are classified as current when they must be settled within the twelve months following the closing date even if the original term is for a longer period and there is a refinancing or restructuring agreement for long-term payments that has concluded after the closing date and before the annual financial statements are drawn up.

All other assets and liabilities that fail to meet the conditions set forth above are classified as “non-current”.

3.11 Subsidies, donations and bequests

Reimbursable grants are recognised as liabilities until they meet the conditions to be considered non-reimbursable, while non-reimbursable subsidies are recognised directly in equity as income on a systematic, rational basis in a manner correlated with expenses deriving from the subsidy. Non-refundable grants received from partners are recognised directly in capital and reserves.

For these purposes, a grant is considered non-refundable when there is an individualised agreement to grant the subsidy, all the conditions established for its award have been met and there are no reasonable doubts that it will be collected.

Monetary grants are valued at the fair value of the amount granted and non-monetary grants at the fair value of the asset received. These values are referenced to the recognition date.

Non-refundable grants related to the acquisition of intangible fixed assets, property, plant and equipment and real estate investments are charged as income for the year in proportion to the amortisation of the associated assets or, as appropriate, when they are disposed of, their value is restated due to impairment or they are written off the Balance Sheet. Non-refundable grants related to specific expenses and those granted to compensate for the operating deficit in the financial year in which they are granted are recognised in the Income Statement in the same year in which the associated expenses are accrued, except when they are used to compensate for operating deficits in future financial years, in which case they are allocated in said years.

3.12 Corporation tax

In view of the fact that the companies included within the consolidation perimeter are taxed individually for corporation tax, the consolidated tax expense is obtained by adding the expenses that the consolidated companies have estimated for said item, corrected by the consolidation restatements. Said expenses are calculated on the companies’ individual economic results corrected by tax criteria and taking any applicable bonuses and deductions into account.

Therefore, the corporation tax expense (income) for the financial year is calculated as the current tax – calculated by applying the tax rate to the taxable base for the financial year – minus any rebates and deductions and the variations produced in the deferred tax assets and liabilities recognised during the financial year in question.

Corporation tax is recognised in the Consolidated Income Statement except when it refers to transactions recognised directly in Net Equity (in which case the associated tax is also recognised in Consolidated Net Equity) and in business combinations (in which case it is recognised in the same accounts as the other assets of the acquired undertaking).

Deferred taxes are recorded for the temporary differences existing on the date of the Consolidated Balance Sheet between the tax base of assets and liabilities and their book values. The taxable base of an asset is considered to be the amount attributed to it for tax purposes.

The tax effect of temporary differences is posted under the heads of "deferred tax assets" and "deferred tax liabilities" on the Balance Sheet.

Deferred tax liabilities are recognised for all taxable temporary differences except those derived from initial recognition of goodwill or other assets and liabilities in a transaction that does not affect fiscal or accounting outcomes and is not a business combination.

Deferred tax assets, on the other hand, are only recognised to the extent that it is considered probable that each individual company will have future taxable profits against which the deferred asset can be used.

The Group assesses the recognised deferred tax assets and any that have not been previously recognised on the closing date of each financial year. On the basis of this assessment the Group will then write off a previously-recognised asset if its recovery is no longer probable or enter any previously-unrecognised deferred tax asset provided that it is probable that the Group will have future taxable earnings against which it can be applied.

Deferred tax assets and liabilities are valued at the expected tax rates at the time of their reversal in accordance with the currently applicable regulations and with the manner in which the deferred tax asset or liability is rationally expected to be recovered or paid.

Deferred tax assets and liabilities originating in transactions with direct charges or credits in equity accounts are also accounted for with a balancing entry in consolidated net equity.

Deferred tax assets and liabilities are not discounted and are classified as non-current assets and liabilities regardless of their expected capitalisation or settlement date.

3.13 Employee benefits

a) Severance payments

Severance payments are paid to employees as a result of Group management's decision to terminate their employment contracts before the normal retirement age. These benefits are recognised when a demonstrable commitment has been made to dismiss workers in accordance with a detailed regulatory plan of mandatory compliance. Benefits that will not be paid during the twelve months following the Balance Sheet date are discounted to their current value.

b) Payments based on equity instruments

Transactions which, in exchange for receiving goods or services including services provided by employees, are settled by the Group using its own equity instruments or with an amount based on the value of its own equity instruments (such as share options or share appreciation rights) are considered to constitute payments based on equity instruments.

Recognition

On the one hand, the Group will recognise goods or services received as assets or as expenses depending on their nature at the time of receipt, and on the other, the associated increase in equity if the transaction is settled using equity instruments or the associated liability if the transaction is settled with a sum based on the value of equity instruments.

If the Group can choose between making the payment with equity instruments or in cash, it shall recognise a liability to the extent to which it has incurred a present obligation to settle in cash or with other assets. Otherwise, it will recognise an entry in net equity. If it is the goods or services supplier that exercises the option, the Group will recognise a compound financial instrument that will include a liability component due to the other party’s right of to demand payment in cash, and a net equity component, due to the holder’s right to receive remuneration with equity instruments.

Transactions that require provision of services for a certain period will be recognised as these services are provided throughout said period.

Valuation

Transactions with employees settled using equity instruments will be recognised on the date of the agreement to grant said instruments. Both the services rendered and the increase in equity to be recognised shall be valued at the fair value of the equity instruments so assigned.

Transactions settled with equity instruments the consideration of which consists of goods or services other than those provided by employees will be valued at the fair value of the goods or services on the date they are received provided that said value can be reliably estimated. If the fair value of the goods or services received cannot be reliably estimated, the goods or services received and the increase in equity will be valued at the fair value of the equity instruments assigned on the date on which the Group obtains the goods or the other party provides the services.

Pursuant to the provisions of the preceding paragraphs, no additional restatements will be made to net equity after the vesting date once the goods and services received and the associated increase in net equity have been recognised.

The goods or services received and the liability to be recognised in transactions settled in cash will be valued at the fair value of the liability on the date on which the requirements for their recognition are met.

Subsequently, the associated liability will be valued at fair value on the closing date of each financial year until settlement and any valuation change that occurs during the financial year will be charged to the Income Statement.

The Parent Company's General Meeting held on 21 June 2022 approved the Stock Option Plan for directors, managers, employees and business partners. The aim of this Plan is to achieve and control the Group's corporate objectives, stimulate its expansion and improve its management by focusing on optimising all aspects required to enhance its long-term value, align the interests of employees and shareholders and to ensure that the Group's key employees are retained.

As of 31 December 2024 and 2023 the plan has not met any of its goals and therefore no provision has been recognised on the Balance Sheet at said date.

c) Exclusivity clause

The Group has entered into various employment contracts that include exclusivity clauses. The directors deem that the circumstances do no warrant recognition of an associated liability or expense since the probability of occurrence is negligible.

3.14) Provisions and contingencies

Provisions for responsibilities, restructuring costs and litigation are recognised when they arise from a present legal or implicit obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Restructuring provisions include penalties for cancellation of leases and dismissal payments to employees. Provisions for future operating losses are not recognised.

Provisions are valued at the present value of the disbursements expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the specific risks of the obligation. Restatements of the provision as a result of updating are recognised as a financial expense as they accrue.

Provisions with maturities of less than or equal to one year, with an insignificant financial effect, are not discounted.

When it is expected that part of the disbursement required to settle the provision will be reimbursed by a third party, the reimbursement is recognised as an independent asset, provided collection is practically ensured.

Potential obligations arising as a result of past events the occurrence of which is conditioned by the occurrence or not of one or more future events beyond the Group's control are considered to constitute contingent liabilities.

Said contingent liabilities are not subject to accounting records and details concerning them are set forth in the Explanatory Notes to these Consolidated Financial Statements.

3.15 Recognition of revenue from the provision of services

Operating revenue derived from contracts with customers are posted at the time transfer of control of the goods and services committed to said customers occurs. Control of goods or services refers to the ability to fully decide on the use of the item involved and to substantially obtain all its remaining benefits.

A process consisting of the following stages is implemented to apply this criterion:

- identification of the contract with the customer;
- identification of the contractual obligation to be met;
- determination of the transaction price;
- Allocation of the transaction price to the obligations to be fulfilled based on the sale price of each good or service or by estimating the sale price when it cannot be otherwise ascertained.
- Recognition of the revenue from ordinary activities at the time the Group fulfils each acquired commitment

Income from the sale of goods or services is recognised at the fair value of the consideration received or to be received deriving from the same. Discounts for prompt payment, volume or other kinds of discount and interest added to the face value of the loans are posted as a reduction thereof. Notwithstanding the above, the Group includes interest added to trade credits with maturity at no more than one year that do not have a contractual interest rate when the effect of not updating the cash flows is not significant.

Revenue is recognised when its value can be reliably measured, it is probable that future economic benefits will accrue to the Group and the specific conditions for each activity are met as set forth below. The amount of the income cannot be reliably valued until all contingencies related to the sale have been resolved. The Group bases its estimates on historical results, taking the type of customer, the kind of transaction and the specific terms of each agreement into account.

The Group recognises income derived from sale of the right to use and enjoy software (licensing) for biometric facial recognition technology once all the risks and benefits of ownership of the product have been transferred to the purchaser and the conditions set forth in the above paragraph have been met. It is usually charged to the Consolidated Income Statement at the time the licence is delivered, regardless of the term of the agreement (which may be in perpetuity or for periods defined in the associated contract). Income from services not yet provided is represented in the Consolidated Balance Sheet as short-term accruals.

Income from maintenance and support services is recognised on the basis of accrual of provision of the service.

3.15.1 Contract balances

a) Contract assets

Unconditional right to collect the consideration

Regardless of when transfer of control of the assets occurs, a collection right is recognised (sub-head: Trade accounts, sales and provision of services) under the head of “Trade debtors and other accounts payable” in current assets or “Non-current trade debts” in non-current assets, as appropriate, due to their maturity in accordance with their normal operating cycle when the Group has an unconditional right to the consideration.

Right to the consideration due to transfer of control

When control of a contract asset is transferred without having an unconditional right to invoice, the Group recognises a right to the consideration due to transfer of control. This right to the consideration due to transfer of control without having an unconditional right to invoice is cancelled when an unconditional right to receive the consideration arises. Notwithstanding, the asset will be tested for impairment at the end of the financial year in the same way as for other unconditional rights.

Like the unconditional rights, these balances are recognised in Trade debtors under the head of Clients. They are classified as current or non-current depending on their maturity The balance as of 31 December 2024 was 10,362,296 euros and 4,496,132 euros respectively (11,045,514 euros and 7,067,893 euros respectively as at 31 December 2023) (Note 8.1).

b) Contract liabilities

Contract liabilities

If the client pays the consideration or the Group has an unconditional right to receive it, the Group recognizes a contract liability before transferring the good or service to the client when payment has been made or is due.

These contract liabilities are presented under the head of Trade creditors and other accounts payable or provisions are made for trade operations (in Current Liabilities).

3.16) Leases

Leases in which the Group assumes a significant proportion of the risks and benefits derived from ownership are classified as financial leases. Assets acquired by means of financial leasing are recognised in accordance with their nature at the fair value of the assets or the current value of the agreed minimum payments at the beginning of the lease, whichever is lower, and a financial liability is entered for the same amount. Leasing payments are distributed between financial expenses and reduction of liabilities. The assets are subject to the same amortization, impairment and write-off criteria as other assets of the same nature.

Leases in which the lessor retains a significant proportion of the risks and benefits derived from ownership are classified as operating leases. When the Group acts as lessee, the leasing expenses are charged to the Income Statement on a straight-line basis during the term of the contract regardless of the contractual form of payment stipulatede in the same.

3.17 Transactions in foreign currency

Transactions in foreign currency are converted to the functional currency using the current exchange rates at the transaction date. Gains and losses in foreign currency resulting from settlement of these transactions and from conversion of the monetary assets and liabilities denominated in foreign currency at the spot rates at the close of the fiscal year are recognised in the Consolidated Income Statement.

3.18 Equity items of an environmental nature

Assets used on a long-term basis in the Group's activities the main purpose of which is to prevent, reduce or repair the damage that its activities may cause to the environment are considered to constitute assets of an environmental nature. Expenses deriving from environmental activities are recognised as *Other operating expenses* during the financial year in which they are incurred.

The directors consider that as at 31 December 2024 there are no contingencies of an environmental nature that could significantly affect the Group's equity, financial situation or consolidated outcomes and therefore no provisions or contingencies have been recognised under this head.

3.19 Balances and transactions with Group companies and other related parties

The Group performs all its transactions with related parties at market values. The transfer prices are properly substantiated and therefore the Parent Company's governing body considers that there are no significant risks from which substantial liabilities may arise in the future due to these transactions.

This valuation rule affects the related parties set forth in rule 15 on drafting of the annual financial statements of the Spanish General Accounting Plan. A party is considered to be related to another when one of them exercises or has the capacity to exercise – directly or indirectly or pursuant to pacts or agreements between shareholders or investors – control over the other or a significant influence over its financial and operating decisions.

The following are deemed to constitute parties related to the Group: natural persons who directly or indirectly hold a stake in the voting rights of the Parent Company or of its subsidiaries in such a way that enables them to exercise significant influence over one or the other, close relatives of the same, the Group’s key personnel including directors and executives together with their close relatives and legal persons over which the aforesaid persons may exercise significant influence.

NOTE 4. INTANGIBLE FIXED ASSETS

The following are the breakdown and movement of the items included under the head of *Intangible fixed assets*:

Cost:

	Euros								
Item	**Cost at 31.12.22**	**Additions**	**Cancellations**	**Transfers**	**Cost at 31.12.23**	**Additions**	**Cancellations**	**Transfers**	**Cost at 31.12.24**
Research	56,958	---	(56,958)	---	---	---	---	---	---
Development	717,861	4,558,153	---	(4,450,877)	825,136	4,936,212	(1,077,421)	12,083,246	16,767,173
Intellectual property	84,998	38,112	(8,648)	---	114,462	485	(10,029)	---	104,918
Software	12,157,820	3,747,712	(3,336,958)	4,496,987	17,065,561	69,511	(829,007)	(12,083,246)	4,222,819
Total cost	**13,017,637**	**8,343,976**	**(3,402,565)**	**46,110**	**18,005,159**	**5,006,208**	**(1,916,457)**	**---**	**21,094,910**

Amortisation:

	Euros								
Item	**Balance as at 31.12.22**	**Provisions Fin. year**	**Cancellations**	**Transfers**	**Balance as at 31.12.23**	**Provisions Fin. year**	**Cancellations**	**Transfers**	**Balance as at 31.12.24**
Research	56,958	---	(56,958)	---	---	---	---	---	---
Development	378,339	2,161,519	---	(2,390,564)	149,294	1,865,740	(1,077,421)	5,282,210	6,219,823
Intellectual property	24,980	24,511	(8,648)	---	40,843	13,446	(10,029)	---	44,259
Software	4,950,709	1,965,013	(3,336,958)	2,390,564	5,969,328	3,177,151	(829,007)	(5,282,210)	3,035,262
Total amortisation	**5,410,987**	**4,151,043**	**(3,402,565)**	**---**	**6,159,465**	**5,056,337**	**(1,916,457)**	**---**	**9,299,344**

Net book value:

	Euros	
Item	**Balance as at 31.12.24**	**Balance as at 31.12.23**
Research	---	---
Development	10,547,350	675,842
Intellectual property	60,658	73,619
Software	1,187,557	11,096,232
Net book value	**11,795,565**	**11,845,693**

The cost value of 12,083,246 euros and accumulated amortisation of 5,282,210 euros which was restated in 2023 was transferred from the Computer Applications account to Development considering that development of the product and internal technology ought to be included in the Development section.

a) Development

The Group continues to implement its investment policy and to improve its current facial biometric applications. The capitalised expenses during the financial year ended 31 December 2024 and 31 December 2023 are associated with the following milestones:

	Euros	
Description:	**31.12.2024**	**31.12.2023**
Improvements to software development kit (SDK)	4,346,523	3,676,988
Identity Platform	237,958	493,862
Total internal development	**4,584,481**	**4,170,850**
Development acquired from third parties	351,731	387,303
Total	**4,936,212**	**4,558,153**

Said expenses are recognised under the head of Development since there are good reasons to foresee commercial success on completion, at which time they are reclassified under the head of Intangible assets in accordance with their nature. If there were well-substantiated reasons to consider that the project will not be successful, the Company would write off these expenses and recognise them as losses in intangible fixed assets. Almost all the activity involved in development of new applications or improvements to current ones has been performed internally (except for the sum of 351,731 euros (387,303 euros in 2023) and recognised by capitalisation of production costs under the head of "Works performed by the Group for its own Assets" in the Consolidated Income Statement.

Developments activated as at 31 December 2024 and 31 December 2023 consisted mainly of anti-fraud security improvements, interactive user guides during registration and tools for integrating technology into multi-platform applications.

b) Intellectual property

FacePhi Biometría S.A. is the holder of the *Selphi* and *FacePhi Beyond Biometrics* trademarks (MUE 015106354 and MUE 015114853 respectively) that are thus protected in both the European Union and in the United States of America pursuant to trademarks registered with the USPTO (United States Patent and Trademark Office) by certificates no. 79190080 and 79190126.

European Union trademark protection is also provided by European trademark certificates with registration numbers MUE 017896710 *Look&Phi*; MUE 017948110 *inPhinite*; MUE 017948113 *4Phingers*; MUE 017948116 *Phivox*; MUE 017948119 *SignPhi* and MUE 017948878 *SelphID*.

The Group currently holds the following registered trademarks:

• FACEPHI BEYOND BIOMETRICS	• PHIVOX
• SELPHI, YOU BLINK, YOU´RE IN	• SELPHI ID
• LOOK & PHI	• SIGNPHI
• INPHINITE	

The international expansion and activity in LATAM has prompted the Group's governing body to extend the geographical coverage of trademark protection. Consequently, the *FacePhi Beyond Biometrics* and *SelphID Identity Validation* trademarks are duly registered either as international trademarks with territorial designation or as domestic trademarks in all markets in which the Group carries out commercial activity: APAC, LATAM and EMEA.

The Group still protects the aforesaid registered trademarks in spite of the fact that the Group is currently undergoing a rebranding process.

Pursuant to this rebranding, the following updated trademarks have been registered in the European Union and with the World Intellectual Property Organization (WIPO).

The new registered trademarks are:

MUE 018762534 FACEPHI (mixed)
MUE 018762535 FACEPHI (denominative)
MUE 018779488 FACEPHI IDENTITY PLATFORM (mixed)
4184138 FACEPHI PROTECTING IDENTITY TO BUILD THE FUTURE (Spain - OEPM)

Intellectual property rights

With entry into force of Act 1/2019 of 20 February, the Business Secrets Act, technology companies find themselves in a scenario where legal certainty regarding knowledge considered to constitute business secrets (algorithms, know-how, etc.) is greater than before and consequently provides stronger protection against potential breaches of business secrets.

Nevertheless, the legal doctrine and jurisprudence in the field agree that application of the Act will not be really effective unless the companies are equipped with tools capable of configuring an environment of security, protection, reliability and traceability.

Legal compliance and data protection

-
Data protection and criminal compliance:We comply with the following regulations: Facephi's Criminal Risk Prevention Plan (CRP), the General Data Protection Regulation (GDPR), Organic Law on the Protection of Personal Data and Guarantee of Digital Rights (Spanish acronym LOPDGDD) backed by information security certifications.

- The Whistleblower Channel

In accordance with Directive (EU) 2019/1937 on the protection of persons who report breaches of EU law (also known as the "Whistleblower Directive") the Group – as a result of its commitment to regulatory compliance and internal value system – has implemented a Whistleblower Channel with the aim of not only fostering a culture of ethical conduct and good governance, but also to detect and prevent irregular, illicit or criminal conduct.

- The Compliance Committee

The Compliance Committee is responsible for reviewing appliance of the Compliance Plan, verifying its effectiveness and reporting to the Board of Directors on a quarterly basis on the dissemination, awareness and compliance with the Group's Criminal Risk Prevention Plan, Code of Ethics and the Protocol on insider information to prevent market abuse practices.

The Group holds the following technical certifications:

- Legal compliance and data protection:

- **Data protection and criminal compliance:** We comply with the following regulations: The Group's Criminal Risk Prevention Plan (CRP), the General Data Protection Regulation (GDPR), Organic Law on the Protection of Personal Data and Guarantee of Digital Rights (Spanish acronym LOPDGDD) backed by information security certifications.

- Governance, risk and corporate compliance

- **ISO/IEC 27001** (ISMS). A standard for information security management systems (ISMS) to ensure the confidentiality, integrity and availability of the information and the systems that process it.
- **ISO 22301** Business continuity management system.
- **ISO 27017** Security controls for cloud services.
- **ENS** Certification by the Spanish National Security Scheme (intermediate level)
- **Pinakes certification** (framework designed to manage and monitor the cybersecurity controls of technology suppliers supporting Spanish financial entities).

Product and technology certification

- **ISO 30107-3 iBeta Level 1** Both Facephi's facial recognition algorithm (matcher) and its PAD algorithm with passive liveness comply with this level of the ISO 30107 standard.
- **ISO 30107-3 iBeta Level 2** Certification at this level represents compliance with the highest standard in of presentation attack detection (PAD) using facial biometric technologies that any company in the sector has achieved to date.
- **KISA K-NBTC certification** Certification that validates the performance of the Company's identity verification algorithm issued by the National Biometric Testing Centre (K-NBTC) of the Korea Internet Security Agency (KISA).
- **UK Digital Identity and Attributes Trust Framework (UK DIATF)** Facephi is certified as an identity service provider (IDSP) within the UK Digital Identity framework for provision of secure, reliable digital identity services by means of its products and services.
- **SEPBLAC video-identification circulars** Facephi is a certified supplier of onboarding and remote digital identity services within the compliance framework established by the Executive Service of the Commission for the Prevention of Money Laundering and Monetary Offences (Sepblac).

- Biometric information interchange:

- **ANSI/NIST-ITL 1-2011**. Data format for storage and interchange of biometric information for system interoperability.
- **ISO/IEC 19794-5** Specifies a format for storing, recording, and transmitting information of facial images, scene constraints, photographic properties and digital image attributes of the facial images and provides best practices.

c) Software

The Group, in accordance with the identifiability criteria of intangible assets, transfers the production cost of software improvements and utilities according to their nature (software) developed by Group companies that have entered the marketing phase for generation of income inherent in their activity.

Consequently, additions made during the 2024 financial year are mainly licensing contracts purchased from a biometric provider that the Group integrates into the products it distributes and which are amortised on a straight-line basis over the term of the contract in question.

The Group has deregistered certain I.T. applications that were fully amortise during the 2024 financial year

d) Fully-amortised intangible fixed assets

The Group held the following fully-amortised tangible and operative fixed assets as of 31 December 2024 and 31 December 2023:

	Euros	
	31.12.2024	**31.12.2023**
Research	---	---
Intellectual property	---	---
Software	---	11,326
Total cost	**---**	**11,326**

e) Sundry information

As set forth in note 10.3, during the 2022 and 2024 financial years the Group received subsidies related to intangible assets for capitalised development expenses, some of which were applied in 2023 and 2024.

No financial expenses have been capitalised and there are no intangible fixed assets in foreign countries. All intangible fixed assets are subject to operating conditions and they are not affected by encumbrances or liens. Neither has the Company made or reversed value restatements for impairment of any item of its intangible fixed assets.

f) Non-current asset impairment test

The recoverable value of non-current assets has been assessed by considering a single cash-generating unit (CGU) by estimating their value in use by means of cash-flow projections based on the business plan and estimates made by management for the next four (4) years. The discount rate applied to the cash flow projections was 10.90% and the cash flows after the four-year period are extrapolated using a growth rate of 2%. No impairment has been detected in the value of the assets.

Key assumptions for calculating value in use

Calculation of value in use was based on the following hypotheses:

- Growth: based on its forecasts and information from the biometrics sector, the Group expects sustained double-digit turnover growth for the period covered by its financial projection period (2026-2028) and 2.5% per annum after 2028. The Group continues to invest in human resources aimed at sales and marketing activity, developing the business in countries where it already operates and by opening new offices and developing sales channels that will enable it to increase its turnover.
- EBITDA: the group estimates that its EBITDA will grow progressively as it obtains new contracts, thus optimising its resource structure.
- Discount rate: an average WACC of 10.90% has been applied in accordance with that calculated by analysts who follow the Group.

- CapEx: the Group estimates that its investments in intangible fixed assets – mainly for development of and improvements to its technology – will continue but, as has become evident over the last two years, will progressively represent a smaller percentage of turnover.

Sensitivity to changes in hypotheses

In view of the differences between the book values of the net assets of the Group under analysis and their value in use, management considers it highly unlikely that any reasonably predictable or probable variation in any of the hypotheses set forth above (e.g., an increase in WACC and/or a decrease in the residual growth rate) would mean that the book value of the assets would exceed their recoverable value. Nevertheless, the Group reassesses its business plan at the end of each financial year and adapts the hypotheses to reflect the current environment and new expectations.

NOTE 5. TANGIBLE FIXED ASSETS

The following is the breakdown and movement of the items that comprise tangible fixed assets:

Cost:

	Euros							
Item	**Cost at 31.12.22**	**Additions**	**Cancellations**	**Transfers**	**Cost at 31.12.23**	**Additions**	**Cancellations**	**Cost at 31.12.24**
Land and buildings	---	372,325	---	1,773,343	2,145,668	40,867	---	2,186,535
Technical facilities	1,347	---	(1,347)	---	---	---	---	---
Machinery	698	---	(698)	---	---	---	---	---
Other facilities	32,167	2,364	---	24,176	58,706	10,701	(3,366)	66,041
Furnishings	93,192	11,035	(4,486)	28,903	128,644	38,717	(22,096)	145,265
I.T. equipment	1,019,312	218,021	(325,343)	---	900,955	154,746	(96,639)	959,062
Transport vehicles	---	---	---	---	---	---	---	---
Other tangible fixed assets	9,213	---	(4,433)	---	4,780	---	(2,324)-	2,456
Fixed assets under construction and advances	947,394	925,137	---	(1,872,532)	---	---	---	---
Total cost	**2,103,322**	**1,517,847**	**(336,307)**	**(46,110)**	**3,238,753**	**245,031**	**(124,425)**	**3,359,359**

Amortisation:

Item	Balance as at 31.12.22	Provisions Fin. year	Cancellations	Transfers	Balance as at 31.12.23	Provisions Fin. year	Cancellations	Balance as at 31.12.23
		Euros						
Land and buildings	---	120,637	---	---	120,637	214,675	---	335,312
Machinery	59		(59)	---	---	---	---	---
Other facilities	10,062	6,142	---	---	16,204	9,326	(3,366)	22,164
Furnishings	35,494	13,419	(3,781)	---	45,132	14,594	(22,096)	37,630
I.T. equipment	238,661	487,470	(322,484)	---	403,647	291,960	(96,639)	598,968
Other tangible fixed assets	5,299	2,116	(4,432)	---	2,983	1,553	(2,324)	2,212
Total amortisation	**289,574**	**629,784**	**(330,756)**	**---**	**588,603**	**532,108**	**(124,425)**	**996,286**

Net book value:

Item	Balance as at 31.12.24	Balance as at 31.12.23
	Euros	
Land and buildings	1,851,223	2,025,031
Technical facilities		---
Machinery	---	---
Other facilities	43,877	42,502
Furnishings	107,635	83,512
I.T. equipment	360,094	497,308
Other tangible fixed assets	244	1,797
Fixed assets under construction and advances	---	---
Net book value	**2,363,073**	**2,650,151**

(*) The entire amount for 2024 y 2023 is attributable to buildings.

Additions for investments in tangible fixed assets during the 2024 and 2023 financial years mainly involve the works for the new business centre in the city of Alicante that the Parent Company has leased to carry out its activity and which were finished by early June 2023. Apart from said works, additions during the financial year under study mainly involve information technology equipment for newly-recruited personnel.

a) Fully written-off assets

The following is a breakdown of the Group's fully-amortised tangible fixed assets still in use at the end of the 2024 and 2023 financial years:

	Euros	
Item	2024	2023
Other facilities	---	---
Furnishings	---	---
I.T. equipment	---	9,661
Other tangible fixed assets	---	---
Total	---	**9,961**

b) Insurance

The Group has taken out insurance policies to cover the risks to which its property, plant and equipment are subject. The coverage of these policies is considered sufficient.

c) Sundry information

No financial expenses have been capitalised, there are no tangible fixed assets in other countries and there are no encumbrances or liens on the items under this head. Neither has the Company made or reversed value restatements for impairment of any item of its intangible fixed assets.

NOTE 6. LEASES AND OTHER TRANSACTIONS OF A SIMILAR NATURE

a) Operating leases

The following is the sum of the minimum future payments for non-cancellable operating leases:

	Euros			
	Facephi		Rest of Group	
Minimum future payments	31.12.24	31.12.23	31.12.24	31.12.23
Up to one year	669,536	237,109	44,374	101,126
Between one and five years	1,433,677	1,538,607	33,280	14,195
More than five years	1,221,360	1,555,840	---	---
Total	**3,324,573**	**3,331,556**	**77,654**	**101,140**

The most significant features of the leasing contracts are the following lease payments recognised as expenses for the financial year in question:

Description of the lease	Expense 2024 fin. year	Expense 2023 fin. year	Due date	Renewal	Price update criteria
Offices, garages and storage	278,693	171,310	06/05/2025	N/A	YES (CPI)
Madrid Office	147,201	118,896	30/06/2024	N/A	NO
Branch offices	87,078	80,882	21/05/2024	N/A	NO
I.T. hardware	---	1,773	21/05/2024	N/A	NO
I.T. hardware	1,462	1,009	18/12/2024	N/A	NO
Furnishings	38,716	16,777	17/07/2028	N/A	NO
Transport vehicles	74,121	70,584	08/01/2027	N/A	NO
Rentals, software, cloud and others	155,683	792,557	N/A	N/A	N/A
Total	**782,955**	**1,109,332**			

On 8 January 2023 the Parent Company entered into two more operating leases of vehicles for the use of members of the Board of Directors. The monthly payment amounted to 2,223 euros per vehicle with maturity at three years. These contracts matured in January of the current financial year have been replaced by two new vehicle leasing contracts initially for use by members of the Board of Directors. Both these contracts will mature in April 2026. The monthly payments amount to 2,726.04 and 2,168.19 euros respectively.

Moreover, due to the fact that the Parent Company is taking measures to modernise its work model, on 4 March 2022 it entered into a new lease contract in a business centre in the city of Alicante for a period of 10 years counting from the end of the conditioning works or from 31 December 2022, whichever occurs first, including a 3-year mandatory permanence period. The lessor grants a 12-month grace period counting from the end of the conditioning works or from 31 December 2022. The Company has placed a rental bond of 34,000 euros, the equivalent of two monthly rent payments. The works finished in June 2023.

During the 2024 financial year the Parent Company reclassified the expenses included under Rentals and Fees in 2023 of all the subscriptions to computer programs that, in view of their nature, are now recognised under the head of Other Services. This is the reason why the figure for Total Rentals has decreased without entailing a reduction in the amounts effectively paid.

b) Financial leasing

During the 2022 financial year the Group acquired an I.T. server by entering into a financial leasing contract for a total amount of 275.000 euros. In order to comply with the conditions of substantial transfer of the risks and benefits inherent in ownership of the asset, the recognition and valuation rule set forth in Note 3.2 was activated under the head of "machinery" in the tangible fixed assets account in connection withj the aforesaid financing contract.

The following is a breakdown of the most important conditions of the financial loan contract in effect during the financial year and its position as at 31 December 2024 and 2023:

2024

			Euros					
Object of the contract	Start	Term (months)	Cost Asset	Instalments paid as at 31.12.24	Amount pending payment as at 31.12.24			Purchase option
					Capital		Interest pending payment	
					S/T	L/T		
Information processing equip.	15/11/2022	36	275,000	191,092	83,908	-	1,798	---
Total			**275,000**	**191,092**	**83,908**	**--**	**1,798**	**---**

2023:

			Euros					
Object of the contract	Start	Term (months)	Cost Asset	Instalments paid as at 31.12.23	Amount pending payment as at 31.12.23			Purchase option
					Capital		Interest pending payment	
					S/T	L/T		
Information processing equip.	15/11/2022	36	275,000	110,818	92,287	83,908	7,773	---
Total			**275,000**	**110,818**	**92,287**	**83,908**	**7,773**	**---**

During the financial year ended 31 December 2024, the Company paid the sums of 92,287 euros and 5,975 euros in principal and interest respectively under said contract (88,276 euros and 9,985 euros respectively in 2023).

The financial lease transaction in effect as at 31 December 2024 and 2023 accrued interest at an average rate of 4.54%.

Accordingly, the following is the breakdown of the book value of the asset acquired under the financial lease contract as at 31 December 2024 and 2023:

	Euros					
	31.12.24			31.12.23		
Item	Cost	Accumulated amortisation	Net book value	Cost	Accumulated amortisation	Net book value
Information processing equip.	275,000	191,092	83,908	275,000	103,125	171,875
Total	**275,000**	**191,092**	**83,908**	**275,000**	**103,125**	**171,875**

NOTE 7. INFORMATION ON THE NATURE AND RISK LEVEL OF FINANCIAL INSTRUMENTS

Risk management is aimed at establishing the required mechanisms to control the Group's exposure to different types of risk: market risk (including exchange rate risk, interest rate risk and price risk), credit risk and liquidity risk. Risk management is monitored by the Parent Company's Board of Directors with the support of the Management Control Departments.

Credit risk

Credit risk arises from potential losses caused by infringement of contractual obligations by the Group's counterparties, i.e., by failure to collect financial assets in compliance with the established amounts and timeframes. To minimise this risk, the Group only works with credit institutions of recognised solvency and reputation.

Due to their excellent credit standing, the Group's main debtors do not pose specific credit risks of cancellation of the balances pending collection at the end of the financial year. The following is the breakdown by seniority of the trade debtors and other accounts receivable as at 31 December:

	Euros	
	31.12.24	**31.12.23**
Long-term debts not due	4,496,132	7,067,893
Short-term debts not due	10,464,582	11,635,695
Past due but not doubtful	8,266,948	1,927,702
Doubtful	3,123,991	2,769,079
Total	**26,351,553**	**23,400,369**
Restatements due to impairment (note 8.3)	(3,123,911)	(2,769,079)
Total	**23,227,641**	**20,631,290**

Liquidity risk

Prudent management of liquidity risk entails maintaining sufficient cash and highly-liquid securities, the availability of financing through a sufficient number of committed credit facilities and the ability to liquidate market positions. Liquidity risk is considered sufficiently mitigated by the availability of our credit lines with financial institutions (note 11), the convertible debt issuance financing agreements entered into with the investment fund Nice & Green, S.A. (hereinafter "Nice & Green") (see note 10) and the other mitigating factors mentioned in Note 2.e.

Market-related financial risks

a. Interest rate risk on cash flows and fair value

Income and cash flows from the Group's operating activities are for the most part independent of changes in market interest rates.

The interest rate risk arises from long-term borrowings. Borrowing issued at variable rates exposes the Group to the cash flow interest rate risk. Borrowing at fixed interest rates exposes the Group to fair value interest rate risk. The Group's policy consists in diversifying its long-term borrowings between variable interest rate instruments and fixed interest rate instruments (see Note 11).

b. Exchange rate risk

The Group operates internationally and is therefore exposed to exchange rate risks due to its foreign currency transactions. The exchange rate risk arises from recognised assets and liabilities. The breakdown of financial assets and liabilities and transactions denominated in foreign currency is reported in Note 13.g.

The Group's financial management cannot predict the effects of exchange rates on future operating results due to the potential volatility of the foreign exchange markets. The Company does not currently use hedging derivatives to cover its exposure to other currencies.

c. Price risk

There are no significant price risks.

Estimation of fair value

The Group assumes that the book value of credits and debits for trade transactions is close to fair value. The fair value of financial liabilities for financial reporting purposes is estimated by discounting future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

(NOTE 8) FINANCIAL ASSETS

8.1 Analysis by categories

The following is the book value of the categories of financial instruments established in the registration and valuation rules of the Spanish General Accounting Plan (PGC) in accordance with the information contained in Note 3.6 except for cash and cash equivalents (see Note 9):

	Euros			
	Loans, derivatives and others			
	Short-term		**Long-term**	
	2024	**2023**	**2024**	**2023**
Assets at amortised cost				
• Trade debtors and other accounts receivable (*)	18,731,510	13,563,397	4,496,132	7,067,893
• Loans to personnel	2,050	2,050	1,700	1,700
• Other financial assets	179,833	167,211	165,027	139,216
Total	**18,913,393**	**13,732,658**	**4,662,859**	**7,208,809**

(*) Does not include balances with government agencies.

There are no significant differences between the book value and the fair value of financial assets recognised at cost or amortised cost.

8.2 Analysis by maturity

The following are the amounts of the financial asset instruments with a specific or determinable maturity classified by year of maturity as at 31 December 2024:

	Financial Assets					
	2025	**2026**	**2027**	**2028**	**Subsequent years**	**Total**
Financial asset						
• Debtors and other accounts receivable (*)	18,731,510	2,847,197	804,158	844,777	---	23,227,641
• Other financial assets	181,883	56,698	1,700		108,329	348,611
Total	**18,913,393**	**2,903,895**	**805,858**	**844,777**	**108,329**	**23,576,252**

(*) Does not include balances with government agencies.

The following are the amounts of the financial asset instruments with a specific or determinable maturity classified by year of maturity as at 31 December 2023:

	Financial Assets					
	2024	**2025**	**2026**	**2027**	**Subsequent years**	**Total**
Financial asset						
• Debtors and other accounts receivable (*)	13,563,397	4,356,334	1,814,362	646,166	251,031	20,631,290
• Other financial assets	169,261	79,315	---	---	61,601	295,296
Total	**13,732,658**	**4,435,649**	**1,814,362**	**646,166**	**312,632**	**20,941,467**

(*) Does not include balances with government agencies.

8.3. Loans and accounts receivable

	Euros	
	2024	**2023**
Long-term loans and accounts receivable		
• Loans to personnel	1,700	1,700
• Other financial assets	165,027	140,916
• Trade debtors	4,496,132	7,067,893
Total	**4,662,859**	**7,208,809**

	Euros	
	2024	2023
Short-term debts and accounts receivable:		
• Loans to personnel	2,050	2,050
• Other financial assets	179,833	167,211
Subtotal	**181,883**	**169,261**
• Trade debtors and other accounts receivable a c/p		
➢ Trade receivables for provision of services	8,504,154	2,517,883
➢ Trade invoices pending issuance	10,227,355	11,045,514
➢ Doubtful trade receivables	3,123,911	2,769,079
➢ Impairment of trade credits	(3,123,911)	(2,769,079)
➢ Sundry debtors	---	---
➢ Personnel	---	---
➢ Current tax assets (note 13.1)	1,624,899	(733)
➢ Other credits with govt. agencies (Note 13.1)	2,123,856	1,872,765
Total	**22,480,264**	**15,435,428**

The Group's collection conditions allow its customers up to one year to pay for goods and services. This is normal business practice in the sector in which it operates and particularly in technology assignment and licensing agreements. The Group recognises the consideration at amortised cost under the head of *Non-current trade debts* in Assets on the Balance Sheet in cases where the invoicing period is longer than one year.

Group management considers that the credit risk is sufficiently guaranteed in view of the solvency of the debtors with whom it works (mainly financial institutions).

Impairment of trade credits

The following is the breakdown of losses for value impairment by trade receivables credit risk during the 2024 and 2023 financial years:

	Euros	
	2024	2023
Initial balance	**2,769,079**	**1,897,511**
Provision for impairment of accounts receivable	354,832	1,004,393
Reversal of unused amounts	---	(132,825)
Final balance	**3,123,911**	**2,769,079**

Recognition and reversal of valuation restatements for impairment of accounts receivable from customers has been included under heading A.7.c) "Losses, impairment and variation in provisions for trade transactions" in the Consolidated Income Statement.

The Company also recognised losses under the same head due to bad debts for the sum of 160,108 euros (397.082 euros in the 2023 financial year) directly in the Income Statement in the 2024 financial year.

Other short and long-term financial assets

As at 31 December 2024 the *Other long-term financial assets* account includes the rental bonds for the offices for the sum of 69,680 euros (53,756 euros as of 31 December 2023) and 74,329 euros (same amount as at 31 December 2023) as a final good-faith bond for the public tender awarded by AENA in financial 2021 for supply and upgrading of a biometric facial recognition system.

These bonds have not been valued at amortised cost due to the negligible effect they would have on the Group's Net Equity.

Moreover, on 31 December 2024 the *Other short-term financial assets* account includes the sum of 31,344 euros (same amount as at 31 December 2023) for a fixed-term deposit (FTD) for a par value of $US 35,500 as a guarantee placed with a customer for provision of licencing, support and consultancy services in addition to other minor sureties for sundry rentals and payment guarantees.

NOTE 9. CASH AND CASH EQUIVALENTS

The following breakdown shows the movements in the cash and cash equivalents account as at 31 December of the financial years under study:

	Euros	
	2024	**2023**
Cash, euros	3,560	1,324
Cash, foreign currency (note 13.g)	711	714
Banks and credit inst. demand c/c, euros	2,046,563	1,201,446
Banks and credit inst. demand c/c, f.c. (note 13.g)	3,685,462	1,529,783
Total	**5,736,296**	**2,733,267**

The Treasury item under the head of Banks and Financial Institutions includes an entry of 219,229 euros (285,677 euros at 31 December 2023) for financial deposits in the trading and settlement entities of Euronext and BME Growth securities respectively, the funds of which are not freely available to the Parent Company unless the liquidity provider estimates that the cash or shares at its disposal are excessive.

As a result of the financial restructuring agreement entered into on 14 December 2020, the Parent Company had established a pledge right over the current accounts and other available liquid assets for the sum of 5,347,865 euros (2,279,907 euros as at 31 de December 2023) (see Note 10.3).

NOTE 10 NET EQUITY

The attached Consolidated Statement of Changes in Net Equity shows the breakdown and movement of the various accounts under the head of Net Equity during the financial periods ended on 31 December 2024 and 2023.

10.1 Capital and reserves

a) Share capital and issue premium

The following is the composition of the Parent Company's share capital and issue premium as at 31 December 2024 and 2023:

	Euros			
	2024		2023	
	Capital	Issue premium	Capital	Issue premium
Authorised	1,016,462	31,045,346	851,585	24,231,301
Total	**1,016,462**	**31,045,346**	**851,585**	**24,231,301**

The following is a breakdown of movements of share capital and issue premiums recognised as at 31 December 2024 and 2023:

2024

	Number of shares	Par value	Share capital	Issue premium
Opening balance as at 1 January 2024	**21,289,623**	**0.04**	**851,585**	**24,231,301**
Capital increase 11.01.2024	264,368	0.04	10,575	532,904
Capital increase 29.02.2024	334,057	0.04	13,362	638,812
Capital increase 27.05.2024	701,303	0.04	28,052	1,276,296
Capital increase 24.10.2024	1,695,358	0.04	67,814	2,576,944
Capital increase 23.12.2024	1,126,837	0.04	45,073	1,789,090
Balance as at 31 December 2024	**25,411,546**	**0.04**	**1,016,461**	**31,045,346**

2023

	Number of shares	Par value	Share capital	Issue premium
Opening balance as at 1 January 2023	**17,432,768**	**0.04**	**697,311**	**15,560,800**
Capital increase 19.01.2023	196,448	0.04	7,858	567,735
Capital increase 26.01.2023	394,104	0.04	15,764	1,276,896
Capital increase 02.08.2023	1,214,855	0.04	48,594	2,994,884
Capital increase 17.10.2023	1,293,889	0.04	51,756	2,339,549
Capital increase 17.10.2023	470,506	0.04	18,820	850,745
Capital increase 16.11.2023	287,053	0.04	11,482	640,692
Balance as at 31 December 2023	**21,289,623**	**0.04**	**851,585**	**24,231,301**

Financing contract – Convertible warrants

On 14 December 2020 the Parent Company entered into a new financing agreement with similar conditions and features as the previous one with Nice & Green S.A: (signed in September 2019), for which reason the Extraordinary General Meeting held on 25 January 2021 agreed, in compliance with article 297.1.b of the Corporate Enterprises Act (LSC), to delegate the power to issue convertible equity warrants (EW) in Parent Company shares for a maximum conversion sum of 20 million euros to the Board of Directors and to increase the share capital by the amount required to address conversion of said warrants. In accordance with art 417 of the LSC, the pre-emptive subscription rights were disabled for this transaction since the only recipient of the issue was Nice & Green S.A. Said delegated power was limited by the condition that the total amount of the increases in share capital agreed on one or more occasions may not exceed the equivalent of half the share capital at the time, i.e. 288,570.38 euros, under any circumstances.

The price of conversion into shares considered in the financing agreement may not be lower than 130% of the par value of the Parent Company's shares (i.e., at a lower price per equity warrant than 0.052 euros) or higher than the conversion price resulting from 92% of the lowest weighted average price during the three trading days prior to the date on which the conversion right is exercised. The investment commitment ended on 31 December 2022 and the last conversioon to increase capital in January 2023.

The sum of 1,500,000 euros was till pending conversion at the beginning of 2023. On 10 and 23 January 2023 Nice & Green requested conversion into shares of the amount pending execution under the following conditions:

Notification date	Amount	Conversion of EW	Exercise price	Par value	Issue premium	Capital	Issue premium
10/01/2023	500,000	196,448	2.5452	0.04	2.5052	7,858	492,141
23/01/2023	1,000,000	394,104	2.5374	0.04	2.4974	15,764	984,235
Totals	**1,500,000**	**590,552**				**23,622**	**1,476,376**

With respect to the aforesaid notifications, the associated capital conversion and increase agreement was formalised on 16 and 23 January 2023 pursuant to instruments executed before the notary public of Castilla-La Mancha Iván Castejón Fernández-Trujillo under numbers 62 and 95 of his journal record and registered in the Companies Registry of Alicante on 13 and 24 February 2023 respectively.

Impact of the conversion on the Consolidated Income Statement

Since the fixed-for-fixed swap rule was not met in accordance with the valuation criteria and standards set forth in note 3.8.b according to the EW issuance conditions, a financial derivative is created during the life of the warrant issue until the time it is converted into shares.

After conversion of the pending amount of 1,500,000 euros with the aforesaid two capital increases in January 2023, the actual loss at the time of these two conversions amounted to 368,255 euros as increased value of the share premium. A loss was therefor recognised under head 17, *Variation in the Fair Value of Financial Instruments* in the Consolidated Income Statement.

Variations in the fair value of the derivative during its life (that is, from the signature date to exercise of the option) are recognised under head *17. Variation in the Fair Value of Financial Instruments* in the Consolidated Income Statement as a financial cost and reflected in the reciprocal entry in Consolidated Net Equity as increased value of the issue premium. The increase in the premium in 2023 amounted to 368,255 euros, the equivalent of the treasury inflow received for the conversion minus the fair value accumulated by the derivative to said date.

The following is the breakdown of the above movements

As at 31 December 2023

	Number of shares	Conversion price	Fair value	Issue premium/cost
Capital increase 19.01.2023	196,448	2.5452	2.93	75,593
Capital increase 26.01.2023	394,104	2.5374	3.28	292,662
				368,255
Derived value recognised in the previous financial year at 12/12/2022				(99,093)
Total recognised under head *17. Variations in the Fair Value of Financial Instruments* in the Income Statement for the financial year (loss).				269,162

Financing contract – Convertible bonds

On 27 April 2023 the Parent Company entered into a third financing agreement with similar conditions and features as the previous one with Nice & Green. The financing instruments, however, were different, taking the form of issuance of convertible bonds on this occasion. The Parent Company's Extraordinary General Meeting held on 20 June 2023 agreed, in compliance with article 297.1.b of the Corporate Enterprises Act (LSC) to delegate the power to issue convertible equity warrants (EW) in Parent Company shares for a maximum conversion sum of 20 million euros to the Board of Directors and to increase the share capital by the amount required to address conversion of said warrants. In accordance with art 417 of the LSC, the pre-emptive subscription rights were disabled for this transaction since the only recipient of the issue was Nice & Green S.A. Said delegated power was limited by the condition that the total amount of the increases in share capital agreed on one or more occasions may not exceed the equivalent of half of the share capital at the time, i.e. 360,466.40 euros, under any circumstances.

The number of new shares to be issued on conversion of each convertible bond shall be determined by application of the following formula:

N = Vn /P
Where:

“N” represents the number of new shares to be issued
“Vn” is the call price of the convertible bonds.
“P”: is (i) the issue price rounded to 4 decimal places; or (ii) the nominal share price, whichever is the higher.

The “issue price” shall be calculated as follows:

Issue price = Reference VWAP * 92%
“Reference VWAP” means (i) the VWAP published on the trading day preceding the conversion date or (ii) the VWAP of the last three (3) trading days immediately preceding a conversion date, whichever is the lower. For the purposes of calculating the reference VWAP, the VWAP of trading days on which the bond-holder has sold more than 15% of the daily trading volume of the shares shall not be taken into account.

Issuances and conversions under the convertible bond contract

The Parent Company requested the first issuance for conversion of convertible bonds on 21 July 2023 for the sum of 5,000,000 euros (500 bonds with a par value of 10,000 euros each). The transaction was notarised on 24 July 2023.

On 27 July 2023 and 5 October 2023, Nice & Green notified conversion of 2,800,000 euros (280 bonds at 10,000 euros par value each) and 2,200,000 euros (220 bonds of 10,000 euros par value each) respectively in accordance with the following conditions:

Notification date	Amount	Conversion (shares)	Exercise price	Par value	Issue premium	Capital	Issue premium
27/07/2023	2,800,000	1,214,655	2.2648	0.04	2.3048	48,594	2,751,404
5/10/2023	2,200,000	1,214,855	1.7003	0.04	1.6603	51,756	2,148,244

The first of the aforesaid conversions was notarised on 2 August 2023 and registered in the Companies Registry on 12 September 2023. The second conversion was notarised on 17 October 2023 and registered in the Companies Registry on 6 November 2023.

The Parent Company requested the second issuance for conversion of convertible bonds on 6 October 2023 for the sum of 1,900,000 euros (190 bonds with a par value of 10,000 euros each). The transaction was notarised on 24 July 2023.

On 6 October 2023 and 8 November 2023, Nice & Green notified conversion of 800.000 euros (80 bonds at 10,000 euros par value each) and 600.000 euros (60 bonds of 10,000 euros par value each) respectively in accordance with the following conditions:

Notification date	Amount	Conversion (shares)	Exercise price	Par value	Issue premium	Capital	Issue premium
6/10/2023	800,000	470,506	1.7003	0.04	1.6603	18,820	781,181
8/11/2023	600,000	287,053	2.0902	0.04	2.0502	11,482	588,516

The first of the aforesaid conversions was notarised on 17 October 2023 and registered in the Companies Registry on 11 November 2023. The second conversion was notarised on 16 November 2023 and registered in the Companies Registry on 20 December 2023.

The differences between the par value of the amounts converted into shares and the value of said debt at amortised cost gave rise to a financial expense under head *15. Financial Expenses in the Consolidated Income Statement* for the sum of 556,525 euros (recognised in the second half of the 2023 financial year), this causing an increase in the premium of the same amount.

As at 31 December 2023, 500,000 euros of the aforesaid 1,900,000-euro issue. On 3 January 2024, Nice & Green notified conversion of said 500,000 euros (50 bonds at 10,000 euros par value each) in accordance with the following conditions:

Notification date	Amount	Conversion (shares)	Exercise price	Par value	Issue premium	Capital	Issue premium
3/01/2024	500,000	264,368	1.8913	0.04	1.8513	10,575	489,424

The above conversion was notarised on 11 February 2024 and registered in the Companies Registry on 5 March 2024.

The difference between the par value of the amounts converted into shares and the value of said debt at amortised cost gave rise to a financial expense under head *15. Financial Expenses* in the Consolidated Income Statement for the sum of 43,479 euros, resulting in an increase in the premium by the same amount.

Amendment of the financing – convertible bonds contract

The aforesaid financing by convertible bonds contract entered into on 27 April 2023 with Nice & Green, S.A. was for a maximum amount of 20 million euros. This agreement was contractually amended in a new addendum on 17 January 2024 with the following features:

- the maximum amount the investor may invest is reduced from the initially agreed 20 million euros to 11.1 million euros; the amount that was pending investment at the signature date of the addendum was 4.2 million euros (420 bonds);
- With respect to this amount, the parties have agreed that FacePhi would issue up to seven (7) tranches of 60 convertible bonds (600,000 euros) at intervals of one month.
- To reach an agreement to extend the maturity of the loan contract between the Parent Company and Nice & Green, S.A. for the sum of 700,000 euros due on 31 December 2023 and set a repayment schedule of 100,000 euros per month over the same period as issuance of the seven (7) tranches set forth in the previous paragraph.

The Parent Company requested the first issuance for conversion of convertible bonds on 22 January 2024 for the sum of 600.000 euros (60 bonds with a par value of 10,000 euros each). The transaction was notarised on 19 February 2024.

On 23 February 2024, Nice & Green notified conversion of said 600,000 euros (60 bonds at 10,000 euros par value each) in accordance with the following conditions:

Notification date	Amount	Conversion (shares)	Exercise price	Par value	Issue premium	Capital	Issue premium
23/02/2024	600,000	334,057	1.7961	0.04	1.7561	13,362	586,637

The second conversion was notarised on 29 February 2024 and registered in the Companies Registry on 5 March 2024.

The Parent Company requested the second issuance for conversion of convertible bonds on 20 February 2024 for the sum of 600.000 euros (60 bonds with a par value of 10,000 euros each). The transaction was notarised on 28 March 2024.

The Parent Company requested the third issuance for conversion of convertible bonds on 18 March 2024 for the sum of 600.000 euros (60 bonds with a par value of 10,000 euros each). The transaction was notarised on 16 April 2024. Conversion of this tranche was implemented in January 2025 (Note 18). Therefore, said amount is recognised in the Short-term Liabilities account (Note 11.3.b).

On 15 May 2024, Nice & Green notified conversion of said 600,000 euros (120 bonds at 10,000 euros par value each) in accordance with the following conditions:

Notification date	Amount	Conversion (shares)	Exercise price	Par value	Issue premium	Capital	Issue premium
15/05/2024	1,200,000	701,303	1.7111	0.04	1.6711	28,052	1,171,947

The first of the aforesaid conversions was notarised on 27 May 2024 and registered in the Companies Registry on 12 June 2023.

The differences between the par value of the amounts converted into shares and the value of said debt at amortised cost gave rise to a financial expense under head *15. Financial Expenses* in the Consolidated Income Statement for the sum of 156,522 euros, resulting in an increase in the premium by the same amount.

The Parent Company requested the first issuance for conversion of convertible bonds on 22 April 2024 for the sum of 600.000 euros (60 bonds with a par value of 10,000 euros each). The transaction was notarised on 2 May 2024. Conversion of this tranche was implemented in January 2025 (Note 18). Therefore, said amount is recognised in the Short-term Liabilities account as at 31 December 2024 (Note 11.3.b).

Financing contract – Nice & Green convertible loan

On 22 August the Parent Company entered into a new loan agreement for 1,800,000 euros with N&G, the amount of which replaces the outstanding balance of the three tranches pending conversion of the convertible bond contract mentioned above.

The Parent Company's General Extraordinary Meeting held on 23 December 2024 agreed to increase the capital by offsetting credits for said loan:

Notification date	Amount	Conversion (shares)	Exercise price	Par value	Issue premium	Capital	Issue premium
22/11/2024	1,800,000	1,126,837	1.6277	0.04	1.5877	45,073	1,789,079

The aforesaid conversion was notarised on 16 January 2025 and registered in the Companies Registry on 6 February 2025.

Financing contract – Convertible bonds

On 14 May 2024 the Parent Company entered simultaneously into an investment agreement and a collaboration agreement with Hancom Inc. The investment agreement consisted of the following:

- Investment of the sum of five million euros (€ 5,000,000) by HANCOM Inc. articulated by means of a convertible loan. Said loan accrues interest at a rate of 0.2% per annum and will be converted by means of a capital increase by offsetting credits. The parties have agreed a conversion price of 2.95 euros.

  The Parent Company's General Extraordinary Meeting held on 19 August 2024 agreed to increase the capital by offsetting credits for said loan of 5,001,306 euros:

Notification date	Amount	Conversion (shares)	Exercise price	Par value	Issue premium	Capital	Issue premium	Other equity instruments
19/08/2024	5,001,306	1,695,358	2.95	0.04	2.91	67,814	2,576,944	2,356,548

- The resulting share premium between the exercise price and the share price at the time of the capital increase has also been recognised in the Company's equity as another equity instrument for 2,356,548 euros and transferred to the Income Statement for the financial year according to its distribution over the useful life of the agreement. The part that corresponds to the deferred tax liability has been entered to the remaining amount in Equity (Note 11). In addition, the income charged against the Income Statement for the financial year stands at 497,135 euros (Note 13.d).

The aforesaid conversion was notarised on 24 October 2024 and registered in the Companies Registry on 20 November 2024.

a.1) <u>Share capital and issue premium notarised in previous financial years</u>

The conditions of the share capital issues executed and formally executed in previous financial years and performed pursuant to the financing framework agreement entered into on 16 September 2019 with Nice & Green S.A. were reported in detail in the reports to the Parent Company's individual Annual Financial Statements for the relevant financial years. Section a.1) above also contains a breakdown of the impact of the share issues and capital increases on equity in the 2023 and 2024 financial years.

A.2) <u>Significant holdings</u>

Pursuant to Article 228 of the Consolidated Text of the Securities Market Act adopted by Royal Legislative Decree 4/2015 of 23 October and to Circular 3/2020 of BME Growth, as at 31 December 2023 the following shareholders held a percentage of the Parent Company's share capital equal to or greater than 5%:

	%	**%**
	12,2024	**12.2023**
Nice & Green, S.A.	19.10%	18.67
Hancom	6.98%	---
Javier Mira Miró*	3.23%	2.07%
Juan Alfonso Ortiz Company**	3.15%	0.51%

	%	**%**
	12,2024	**12.2023**
Banque Cantonale Vaudoise (Nice & Green)	19.10%	18.67%
Hancom	6.98%	---
Javier Mira Miró*	3.23%	2.07%

** 5.06% (5.85 in 2023) taking into account the 141,470, 35,196, 33,000 and 235,001 shares loaned in guaranty to Nice & Green.*
*** 4.83% (5.35 in 2023) taking into account the 150,586, 26,080, 43,666 and 235,001 shares loaned in guaranty to Nice & Green.*

b) Treasury stock

The total amount of treasury stock held as at 31 December 2024 is 341,646 euros (393,977 euros at 31 December 2023) represented by 198,147 shares (158,499 shares at the end of the previous financial year), the equivalent of 0.82% (0.75% in 2023) of the Parent Company's share capital. This is well below the maximum limit of 10% provided for in article 509 of the Corporate Enterprises Act.

On 27 February 2020 the General Meeting approved a motion to authorise the Board of Directors to acquire treasury stock in the following terms:

- For a maximum of five (5) years from adoption of the agreement.
- Up to a maximum of 10% of the share capital.
- When the shares are acquired for a consideration the price may vary by +/- 10% of the market value on the acquisition date.

The following are the share movements during the 2024 financial year:

	2023	Purchases	Sales	2024
Cost of treasury shares	393,976	379,559	431,889	341,646

The following are the share movements during the 2023 financial year:

	2022	Purchases	Sales	2023
Cost of treasury shares	454,079	450,744	510,846	393,976

The Parent Company sold treasury shares during the 2024 financial year for a loss of 118,778 euros (a loss of 50,206 euros as at 31 December 2023), recognised against Voluntary Reserves.

c) *Parent Company's Reserves*

The following is a breakdown of reserves at the end of the 2024 and 2023 financial years:

	Euros	
	2024	**2023**
Legal reserve	139,462	139,462
Voluntary reserves	233,376	742,984
Ecertic merger reserves (Note 1.d)	(592,985)	(592,985)
Previous financial years' losses	(2,327,198)	
Total	**(2,547,345)**	**289,461**

<u>Legal reserve</u>

In accordance with the provisions of article 274 of the Corporate Enterprises Act, companies that obtain liquid profits net of taxes during the financial year shall be obliged to allocate 10% of said profit to a reserve fund that shall reach an amount equal to at least one fifth of the share capital. This reserve may only be used to cover a debit balance on the Income Statement (if any) and must be replenished when it falls below the stipulated level.

Voluntary reserves

Voluntary reserves, as at 31 December 2024 and 2023, include profits from previous years that were neither distributed nor assigned to mandatory reserves.

These reserves are freely available.

As set forth in the attached Consolidated Statement of Changes in Net Equity, during the 2024 financial year the sum of 21,975 euros (61,200 euros in previous years) net of taxes has been recognised against these reserves for the cost of issuance and expenses incurred as a result of the capital increases carried out during the year. A loss of 118,778 euros (50,206 euros during the 2023 financial year) was also recognised for the outcome of the treasury stock sale-purchase transactions (see Note 11.1.b) and restatements of errors carried forward from previous financial years that reduce the reserves by 206,328 euros (see Note 2.g).

Restrictions on allocation of dividends

Once the legal provisions and those of the articles of association have been met, only dividends charged to profit for the financial year and voluntary reserves may be allocated:

- If the value of Net Equity is not less than that of shareholder's equity or will not become so as a result of the allocation. Consequently, profits assigned directly to Net Equity may not be directly or indirectly allocated. In the event that losses from previous financial years cause the value of the Parent Company's Net Equity of to fall below that of shareholders' equity, the profits shall be assigned to compensation for said losses.

- If the Parent Company's assets include intangible assets derived from capitalisation of R&D and/or goodwill. In this case, profits may only be allocated if the amount of volutary reserves is at least equal to the net value of the non-amortised intangible assets.

d) Reserves in consolidated companies

In accordance with the criteria set forth in note 3.1, this entry in Capital and Reserves on the Consolidated Balance Sheet represents undistributed profits generated by the subsidiaries from the date of their incorporation into the Group. The following is a breakdown of this item as at 31 December 2024 and 2023

	Euros	
	2024	**2023**
By full consolidation:		
FacePhi APAC	(196,221)	(212,630)
Celmuy (*)	154,537	43,450
Facephi Beyond UK	(3,018,934)	(909,089)
Total	**(3,060,618)**	**(1,078,269)**

e) Contribution to consolidated outcome

The following table shows the contribution of each company in the consolidation perimeter to the consolidated outcome:

	Profit (Loss)	
Subsidiary	**2024**	**2023**
Facephi – Parent Company	(12,380,247)	(2,327,198)
Facephi APAC – Subsidiary	(144,231)	16,409
Celmuy – Subsidiary	163,007	111,087
Facephi Beyond UK – Subsidiary	(1,599,374)	(2,109,845)
Consolidation restatements	5,076,484	---
Total	**(8,884,361)**	**(4,309,547)**

10.2 Restatements for value changes-conversion differences

In compliance with the conversion criteria for annual financial statements of foreign companies that use a functional currency other than the euro set forth in note 3.1, the Group has recognised a negative conversion difference amounting to 281,668 euros net of the associated tax effect (177,349 euros in the 2023 financial year). Said amount represents the difference between the amount of the net equity of the subsidiaries converted at the historical exchange rate and the net equity position deriving from the conversion of assets, rights and debentures at the closing exchange rate of all local currencies in which each member of the Group operates.

The following is the breakdown of variation in conversion differences during the half year ended on 31 December 2024 and during the 2023 financial year:

	Euros	
	2024	**2023**
Balance at start of financial year	**(177,349)**	**4,030**
Variation in equity due to conversion differences	(104,319)	(181,379)
Conversion diff. addition to consolidation perimeter	---	---
Balance at end of financial year	**(281,668)**	**(177,349)**

10.3. Subsidies

The following are the amounts and features of the subsidies that appear on the Balance Sheet as at 31 December 2024 and 2023 under the head of *Subsidies, donations and bequests* and movements during this and the previous financial year:

Financial year ended 31 December 2024

Granting body	Year granted	Amount granted	Balance as at 31.12.23	Additions in the financial year	Transferred to profit (loss) 31.12.24	Tax effect	Restatements (note 2.g)	Balance as at 31.12.24
CDTI	2018	180,390	6,799	---	(9,065)	2,266	---	---
IMIDCA	2021	110,884	58,214	---	(22,177)	5,544	---	41,581
IMINOD	2021	25,154	11,319	---	(5,031)	1,258	---	7,546
Red.es	2022	1,270,090	553,510	76,289	(212,851)	53,214	126,825 *	596,986
PIDI2024_FREC	2024	50,725	---	27,117	(1,733)	(6,346)	---	19,038
INNOVATeiC	2024	43,723	---	12,415	(777)	(2,910)	---	8,728
PIDI2024	2024	50,859	---	21,800	(1,111)	(5,172)	---	15,517
		1,731,825	**629,842**	**137,621**	**(252,745)**	**47,854**	**126,825**	**689,397**

**Net tax effect*

Financial year ended 31 December 2023

Granting body	Year granted	Amount granted	Balance as at 31.12.22	Additions in the financial year	Transferred to Profit (Loss) 31.12.23	Tax effect	Balance as at 31.12.23
Europe (H2020)	2016	1,692,600	15,699	---	(20,932)	5,233	---
CDTI	2018	180,390	34,141	---	(36,456)	9,114	6,799
IMIDCA	2021	110,884	74,847	---	(22,177)	5,544	58,214
IMINOD	2021	25,154	15,092	---	(5,031)	1,258	11,319
Red.es	2022	1,270,090	37,843	878,367	(191,810)	(170,889)	553,510
		3,279,118	**177,622**	**878,367**	**(276,406)**	**(149,740)**	**629,843**

H2020 is the largest European funding program for research and innovation projects. It had a total budget of roughly 80,000 million euros for the 2014 to 2020 period. The SME Instrument program was specifically designed to promote highly innovative SMEs with a great ambition for growth and international projection, in order to boost their success in the market.

In 2016, the Group entered into an agreement with the European Commission to obtain aid to finance investment in development over a period of two years in the execution of an identification project known as Facial Recognition in bank security FACCES.

This agreement contained a clause whereby the subsidy would be awarded for a maximum of 1,692,600 euros, the equivalent of 70% of the development budget of 2,418,000 euros.

The associated costs incurred with the eligible project, on the one hand, corresponded to R&D personnel costs that were capitalised in intangible assets and, on the other, to operating costs. Therefore, the subsidy has both a capital component and an operations component that were was distributed between the two in proportions of 19.81% and 80.19% respectively in accordance with the costs incurred by the Parent Company in previous years.

Furthermore, in the 2020 financial year, due to acquisition of the subsidiary Ecertic Digital Solutions, S.L.U., the Group recognised the net sum of 116,168 euros for a subsidy granted during the 2018 financial year for a gross total of 180,390 euros to finance the project to develop a digital identity accreditation platform using biometric technology. This subsidy was totally charged against the outcome of the financial year in 2024.

The Group received the following subsidies in the 2021 financial year:

- On 30 November 2021 the Valencian Institute of Business Competitiveness (IVACE) approved a subsidy for SME Innovation Projects. Innovation in Electronic, Information and Communication Technologies (EICTs) 2021 for an eligible cost of 162,500 euros and a subsidy of 70,663 euros. The eligible expenses period was from 1 January 2021 to June 30 2022: Subsequently, on 25 February 2022, the Valencian Institute of Business Competitiveness (IVACE) notified the Company that the execution date had been extended until 31 December 2022.
- On 23 December 2021, IVACE approved a subsidy for *R&D Projects in Cooperation (PIDCOP-CV) 2021* for eligible costs totalling 235,615 euros and a grant of 141,369 euros. The eligible expenses period was from 11 March 2021 to 30 June 2022: Subsequently, on 25 February 2022, the Valencian Institute of Business Competitiveness (IVACE) notified the Company that the execution date had been extended until 31 December 2022.
- Moreover, during the 2022 financial year the Parent Company has benefitted from a RED.ES, M.P subsidy under the 2021 call for aid aimed at design engineering for research and development in artificial intelligence and other digital technologies and their integration into value chains for the sum of 1,270,090 euros for investment in personnel costs and a collaboration grant amounting to 1,587,519 euros. In 2024, the Parent Company transferred the costs incurred in the financial year that were capitalised for the gross sum of 76,289 euros (878,367 in 2023) to a capital subsidy and transferred directly under the head of *Operating subsidies added to outcome for the financial year* and a subsidised costs totalling 40,247 euros (111,382 euros in 2023) allocated directly to the Income Statement as an expense for the year (note 12.d).

Finally, during the 2024 financial year the Parent Company benefitted from three subsidies granted by the the Valencian Business Competitiveness Institute (IVACE) for the 2023 application for aid campaign for research and development projects.

- On 13 November 2024 the Valencian Institute of Business Competitiveness (IVACE) approved a subsidy for *SME Innovation Projects. (PIDI-CV) 2024* for an eligible cost of 162,523.50 euros and a granted subsidy of 50,725.42 euros. The eligible expenses period was from 1 January 2025 to 30 December 2025.
- On 13 November 2024 the Valencian Institute of Business Competitiveness (IVACE) approved a subsidy for *SME Innovation Projects. (PIDI-CV) 2024* for an eligible cost of 160.9445 euros and a granted subsidy of 50.859 euros. The eligible expenses period was from 1 January 2025 to 30 December 2025.

On 7 November 2024 the Valencian Institute of Business Competitiveness (IVACE) approved a subsidy for *SME Innovation Projects. Innovation in Electronic, Information and Communication Technologies (EICTs) (INOVATeiC-CV) 2024* for an eligible cost of 124,939 euros and a subsidy of 43,729 euros. The eligible expenses period was from 1 January 2024 to June 30 2025.

NOTE 11 FINANCIAL LIABILITIES

11.1 Analysis by category

The following is the classification of financial liabilities by category and class as at 31 December 2024 and 2023:

	Euros			
	Debt with credit institutions		Derivatives and others	
	2024	2023	2024	2023
Long-term financial liabilities:				
Valued at amortised cost:				
- Bank loans and credit lines	905,151	2,927,486	---	---
- Financial leasing creditors (note 6)	15,279	93,784	---	---
- Other financial liabilities	---	---		---
- Trade creditors and other accounts payable**			1,835,559	
Total long-term	**920,430**	**3,021,270**	1,835,559	**---**
Short-term financial liabilities				
Valued at amortised cost:				
- Bank loans and credit lines	9,171,315	8,603,348	---	---
- Financial leasing creditors (note 6)	83,908	93,421	---	---
- Trade creditors and other accounts payable (*)	---	---	12,080,279	10,125,197
- Other financial liabilities	---	---	2,150,847	1,467,282
Entered at fair value with restatement in the IS:				
- Derivatives (note 10.1.a.3)	---	---	---	---
Total short-term	**9,255,222**	**8,353,482**	**14,231,126**	**11,592,479**

(*) Does not include balances with government agencies.
(**) These are long-term balances for payment of agents associated with the balances of non-current trade accounts.

11.2 Analysis by maturity

The following are the amounts of the financial liability instruments with a specific or determinable maturity classified by year of maturity as at 31 December 2024:

	Non-current financial liabilities				
	2026	2027	2028	Subsequent years	Total
Debt with credit institutions	518,315	327,511	59,351	---	905,151
Creditors for financial leases	15,279	---	---	---	15,279
Non-current trade creditors	1,835,559				1,835,559
Total	**2,369,153**	**327,511**	**59,351**	---	**2,755,989**

The following are the amounts of the financial liability instruments with a specific or determinable maturity classified by year of maturity as at 31 December 2023:

	Non-current financial liabilities				
	2025	2026	2027	Subsequent years	Total
Debt with credit institutions	2,022,187	518,315	327,511	59,473	2,927,486
Creditors for fin. leasing	93,784	---	---	---	93,784
Other financial liabilities	---	---	---	---	---
Total	**2,115,971**	**518,315**	**327,511**	**59,473**	**3,021,270**

11.3. Debits and accounts payable

	Euros	
	2024	2023
Long-term debts	**2,755,989**	**3,021,270**
• Debt with credit institutions	905,151	2,927,486
• Creditors for financial leases	15,279	93,784
• Other financial liabilities	---	---
• Sundry creditors	1,835,559	
Short-term debts	**11,406,069**	**10,164,052**
• Debt with credit institutions	9,171,315	8,603,348
• Creditors for financial leases	83,908	93,421
• Other financial liabilities	2,150,847	1,467,282
Trade creditors y others accounts payable:	**14,798,418**	**10,809,252**
• Suppliers	6,290,459	3,775,612
• Sundry creditors	3,668,447	5,541,761
• Trade advances	17,248	5,692
• Personnel (remunerations pending payment)	2,103,094	802,132
• Current tax liabilities		
• Other debts with government agencies (Note 12.1)	2,719,170	684,055
Debits and accounts payable	**28,960,475**	**23,994,574**

The following is a breakdown of the debts with credit institutions as at 31 December 2024 and 2023:

	Euros			
	2024		2023	
	Short-term	Long-term	Short-term	Long-term
Bank loans	8,843,657	905,151	8,403,264	2,927,486
Credit cards	34,223	---	60,999	---
Uncollected accrued interest	293,435	---	139,085	---
Total	**9,171,315**	**905,151**	**8,603,348**	**2,927,486**

a) *Loans with credit institutions*

The following is a breakdown of the most important conditions of the financial loans in effect as at 31 December 2024 and 2023:

			Euros			
			31.12.24		31.12.23	
Type of transaction	**Maturity**	**Limit**	**Short-term**	**Long-term**	**Short-term**	**Long-term**
Loan (1)	03.04.28	1,000,000	167,188	405,782	163,256	573,000
Syndicated loan A	12.12.25	6,000,000	1,532,035		1,380,073	1,532,034
Syndicated loan B	12.12.25	5,000,000	5,000,000	---	5,000,000	---
Syndicated loan C	12.12.25	2,000,000	1,488,258	---	1,182,387	---
COFIDES loan	21.07.26	500,000	333,333	---	500,000	---
Loan (2)	08.05.27	1,000,000	322,843	499,369	177,548	822,452
		Total	**8,843,657**	**905,151**	**8,403,263**	**2,927,486**

(1) ICO PYMES loan On 3 May 2021 the Company obtained an extension of the grace period for repayment of the principal and extension of maturity.

(2) The ICO PYMES loan executed in 2023 with entry into effect on 8 May 2023. Associated with the RED.ES subsidy

The interest rate on debts with credit institutions is the Euribor plus a margin considered to be consistent with market rates. As at 31 December 2024, the parent Company recognised the sum of 293,435 euros as accrued interest pending collection (139,085 euros as at 31 December 2023).

The average interest rate on long-term debts with credit institutions as at 31 December 2024 is 5.29% (5.92% in the previous financial year).

Syndicated financial restructuring agreement

On 14 December 2020 the Parent Company reached a syndicated credit line agreement with a limit of 13 million euros with the Banco Santander, CaixaBank, Banco Sabadell and Deutsche Bank structured in three tranches:

- TRANCHE A, nominal sum of € 6 million for 5 years with half-yearly amortisation.
- TRANCHE B, Ordinary revolving credit. Nominal sum of 5 million euros for three years plus two potential 1-year renewals. The drawn-down balance of this tranche is reported in Short Term Liabilities since it is subject to annual renewal by mutual consent of the parties.
- TRANCHE C, revolving credit (bilateral contracts). Nominal sum of € 2 million over 3 years with two annual renewals up to 5 years. The drawn-down balance of this tranche is reported in Short Term Liabilities since it is subject to annual renewal by mutual consent of the parties.

The interest rate applicable to each settlement period will be Euribor + an initial 2.5% margin. This margin will vary depending on the variation in the net financial debt/EBITDA ratio at the end of each established review period.

Without prejudice to the net-worth personal liability of the Parent Company for its participation in the aforesaid contracts, pledge rights in rem have been constituted on the credit rights of the operating current accounts and the transitory amortisation account associated with the loan (See Note 9). Along the same lines, as a guarantee for the above obligations the Group has established a movable property mortgage on the Parent Company's trademarks, which are valued at 2,244,829 euros.

The debt issuance conditions related to the syndicated loan entail compliance with various annual ratios determined on the basis of net financial debt and financial expenses, both with respect to EBITDA, calculated using the information set forth in the Parent Company's financial statements. As at 31 December 2024, the Parent Company had not met the ratio established in the aforesaid financing agreement and therefore requested a waiver from the financial entity on 13 November 2024, which was granted on 5 December 2024 that was granted on 5 February 2025.

<u>COFIDES loan</u>

On 26 June 2023 the Parent Company entered into a financing agreement with Compañía Española de Financiación del Desarrollo, COFIDES, S.A. for development of an investment project in the U.K. consisting of commercial establishment in said country by means of its subsidiary Facephi Beyond Biometrics, Ltd (the *Project Company*), an entity included in the Group's consolidation perimeter. The contract set up a financing facility in the form of a three-year loan of a maximum of 500,000 euros. On 5 July 2023 the Parent Company requested withdrawal of the total amount, which was received on 21 July 2023. The principal will be amortised in six (6) identical payments per half year.

The interest rate applicable to each settlement period will be Euribor + a margin. This margin consists of a fixed rate of 2.5% + a variable rate of +/- 5% depending on the net turnover of the Project Company.

The conditions applicable to this loan entail compliance by the Parent Company with certain ratios on an annual basis, determined on the basis of net financial debt–Net Equity, net financial debt–EBITDA and the co-financing ratio calculated on the basis of the Parent Company's financial statements. As of December 31, 2024 and 2023, the Parent Company has failed to meet some of the aforesaid ratios. Consequently, the debt of 166,667 euros that was listed as long-term has been reclassified as short-term as of 31 December 2024, making a total short-term debt of 333,333 euros (500,000 euros as at 31 December 2023).

b) Other short- and long-term financial liabilities

The following is a breakdown of other short-term financial liabilities as at the end of the 2024 and 2023 financial years:

	Euros			
	Short-term		Long-term	
Type of transaction	2024	2023	2023	2023
Debts convertible to subsidies	83,980	222,807	---	---
Nice & Green loans	2,066,540	1,243,482	---	---
Others	326	993	---	---
Total	**2,150,846**	**1,467,282**	**---**	**---**

Since the investment had not yet been made at the drafting date of the consolidated annual financial statements, the Group has recognised the amount considered to be repayable of the capital subsidies granted to the Parent Company under the head of Debts convertible to short- and long-term subsidies (see Note 11.3).

At the end of the 2024 financial year the amount of the subsidies granted and deemed to be refundable and pending substantiation amounted to 83,980 euros (222.807 euros at the end of the 2023 financial year recognised in the short and long terms).

As at 31 December 2024 the Parent Company has entered into two financial transactions with Nice & Green for a total of 2.1 million euros as shown in the following breakdown:

- 1,500,000 euros pending conversion from funds received from the investor on 2 October, 29 October and 29 November 2024. In view of the fact that this is a financial instrument carried at amortised cost, since the date of conversion by the investor is not known on issuance, the Company recognises an implicit financial expenses taking the twelve (12) months from each treasury draw-down into account. As at 31 December 2024 the implicit interest pending conversion amounted to 19,366 euros. This disbursement of 1,500,000 euros, together with an additional 500,000 euros disbursed on 3 January 2025, are part of a loan granted by the main shareholder (Nice & Green) which, as of the drafting date of these annual financial statements, has been negotiated with the Parent Company to capitalise together with the accrued interest under the following conditions: the VWAP of the five (5) business days immediately prior to 2 April 2025 which corresponds to a conversion price of 2.43 euros per share. (Note 18)
- 600,000 euros corresponding to the fourth and final conversion of 60 bonds with a nominal value of 10,000 euros each that were pending issuance for the sum of 2,400,000 euros. On 10 January 2025 Nice & Green notified the Company of this fourth and final conversion of 600,000 euros (60 bonds with a nominal value of 10,000 euros each) which was notarised on 16 January 16. The sum of 365,163 shares was registered with the Companies Registry on 11 February 2025 for the conversion price of 1.64 euros per share. (Note 18)

c) Information on the average period of payment to suppliers. Additional provision three "Duty of Information" of Act 15/2010 dated 05 July.

In compliance with the duty of information provided for in Act 15/2010 (amended by Final Provision Two of Act 31/2014 of 3 December) that sets up measures to combat late payment in trade transactions, the following is a breakdown of the information on average supplier payment interval for trade transactions drawn up in accordance with the resolution of the Accounting and Auditing Institute (ICAC) dated 29 January 2016:

	2024	2023
Item	Days	Days
Average period of payment to suppliers	68	47
Ratio of paid transactions	54	43
Ratio of transactions pending payment	101	61
	Euros	
Total payments made	15,691,819	13,028,247
Total outstanding payments	6,461,303	4,101,488

	2024	2023
Number of invoices		
Total number of invoices paid	3,890	2,978
Number of invoices paid before the legal deadline	3,403	2,828
%	87%	95%
Amount in euros		
Total amount of paid invoices	15,691,819	13,028,247
Value of invoices paid within the legal deadline	10,617,069	10,210,105
%	68%	78%

In view of the fact that the subsidiaries are domiciled in foreign countries and are not subject to the aforesaid law, the Group has included only the payments made by the Parent Company in fiscal year 2024 in the above table. For these purposes only, the Trade Creditors account encompasses items from suppliers and sundry creditors for debts with suppliers of goods or services included within the scope of the regulations on legal payment terms. The Net Purchases and External Services Expenses item encompasses the amounts recognised as such in the Spanish General Accounting Plan.

NOTE 12 POSITION WITH RESPECT TO THE TAX AGENCIES

12.1) Current balances with government agencies

The following is the composition of the credit balances maintained with government agencies at the end of the financial year:

	Euros			
	2024		2023	
	Assets	Liabilities	Assets	Liabilities
Deferred tax assets (Note 12.4)	**1,800,197**		**4,901,032**	
Deferred tax asset for:				
• VAT	627,497		392,104	
• Others	80,956		143	
Other govt. agencies: Subsidies granted*	1,415,403		1,480,518	
Others credits with govt. agencies	**2,123,856**		**1,872,765**	
Deferred tax liabilities (note 12.4)		**694,652**		**209,947**
Debts with Social Security bodies		443,559		422,363
Deferred tax liability for:				
• VAT		1,525,387		(70,128)
• Personal income tax withholdings		750,224		331,820
Other debts with government agencies		**2,719,170**		**684,055**
Current tax assets/liabilities	**1,624,899**	**---**	**(733)**	**---**

**The directors understand that there are no doubts concerning the recoverability of said balance, since the conditions set in the concession have been met and the substantiation has been submitted pending receipt of the same in the 2025 financial year.*

12.2 Financial years pending verification and inspection

In compliance with the currently applicable legislation, taxes are not considered finally settled until the returns have been inspected by the tax agency within the four-year limitation period. As at 31 December 2024, none of the Group companies' main tax returns since 31 December 2020 have been inspected and are therefore open to examination by the tax agencies.

Group management considers that it has properly settled all applicable taxes. However, in the event of an inspection, discrepancies could arise between Company management and the tax inspectorate on the interpretation of the regulations with respect to the fiscal treatment of certain transactions that could entail additional tax-related liabilities. However, management does not expect such liabilities, even if they do arise, to significantly affect the Group's Consolidated Annual Financial Statements.

12.3 Reconciliation of the accounting result and current expense for income tax

Corporation tax is calculated on the basis of the economic or accounting result obtained by applying generally accepted accounting principles, which does not necessarily have to coincide with the tax result understood as the taxable base of the tax in question.

The following is the reconciliation of the accounting result with the corporation income tax base as at 31 December 2024:

	Euros					
	Facephi	**Celmuy Trading**	**FacePhi Beyond Biometrics**	**FacePhi APAC**	**Total 2024**	**Total 2023**
Consolidated profit/(loss) before tax	**(4,018,096)**	**(2,280,867)**	**(1,599,374)**	**567,634**	**(7,330,703)**	**(7,055,066)**
Consolidation offsets and restatements						
•Reversal of holding impairment and credit to the subsidiary	(5,076,484)	---	---	---	(5,076,484)	---
•Reversal of intragroup transactions	1,732,008	2,443,874	---	(711,865)	---	---
Individual outcome of the financial year before taxes Profit/(loss)	**(10,826,588)**	**163,007**	**(1,599,374)**	**(144,231)**	**12,407,186**	**(7,055,066)**
Permanent differences:						
• Other non-deductible expenses	42,213	---	---	---	42,213	13,932
• Other non-deductible expenses	508,627	---	---	---	508,627	---
• Changes in the fair value of financial instruments	---	---	---	---	---	268,802
Impairment of holdings and credits with Group companies	5,076,484	---	---	---	5,076,484	---
Income/(expenses) attributed to Net Equity						
• Capital increase expenses	(29,300)	---	---	---	(29,300)	(83,200)
Prior taxable base	**(5,228,564)**	**163,007**	**(1,599,374)**	**(144,231)**	**(7,330,703)**	**(6,855,532)**
• Compens. deduction of expenses at industrial origin of software. (Uruguay).	---	(163,007)	---	---	---	---
Payable tax base	**(5,228,564)**	**---**	**(1,599,374)**	**(144,231)**	**5,372,795**	**(6,966,619)**
Tax rate on the taxable base (25%)	---	---	---	---	---	---
Rebates for cross-border double taxation	---	---	---	---	---	---
Amount payable/(refundable)	**---**	**---**	**---**	**---**	**---**	**---**

The intangible fixed asset amortisation expense of the TAX LEASE is included as a permanent difference since, as it is considered that the AIE is already deducting it. Therefore the Parent Company cannot deduct said expense due to the symmetry of transactions.

As at the end of the 2024 and 2023 financial years the permanent differences are confined to consideration of fiscally non-deductible expenses for penalties and surcharges and variation in the fair value of financial instruments (derivatives) related to the various capital increases in accordance with the information set forth in Note 10.1.and to impairment of the Facephi Beyond Biometrics Ltd. holding that was eliminated in the consolidation process.

The accounting expense / (income) for corporation tax is calculated as follows:

	Euros	
	2024	**2023**
Recognition of deductions for withholdings at source	---	579,375
Application/(activation) of deductions for the current financial year	---	(579,375)
Tax rate on the taxable base - current expense / (income)	---	(1,218,296)
Application of tax credit for FacePhi negative taxable bases	---	---
Recognition of rebates	(1,561,856)	(1,657,744)
Current tax expense / (revenue)	**(1,561,856)**	**(2,876,040)**
Tax credit for capital increase expenses	7,325	20,800
Deferred tax expense / (revenue)	**7,325**	**20,800**
Recognition of restatement of estimated R&D rebates (Note 12.4)	**3,108,191**	**109,720**
Total corporation tax expense / (revenue)	**1,553,659**	**(2,745,520)**

12.4 Deferred tax assets and liabilities

Deferred tax assets

In accordance with the principle of prudence, deferred tax assets for deductible temporary differences, negative tax base and deductions and other unused tax rebates will only be recognised to the extent that it is probable that the Parent Company will have future taxable profits that enable application of these assets.

Tax rebates pending application

The following table shows the breakdown of tax rebates pending application in accordance with the Company's corporation tax returns filed and the tax forecast for the current financial year as at 31 December 2024 and 2023:

As at 31 December 2024:

Item	Year of origin	2023	Generated	Capitalisation	Estimate changes	2024
Cross-border double tax.	2018	57,862	---	---	(57,862)	---
ECERTIC merger R&D	2018	97,364	---	---	---	97,364
Research and development	2019	90,089	---	---	---	90,089
Cross-border double tax.	2020	205,158	---	---	(205,158)	---
Research and development	2020	208,398	---	(208,398)	---	---
Film production	2020	126,632	---	---	(126,632)	---
Cross-border double tax.	2021	316,078	---	---	(316,078)	---
Research and development	2021	245,391	---	(230,484)	26,150	41,057
Cross-border double tax.	2022	97,648	---	---	(97,648)	---
Rebate for donations (35%)	2022	998	---	---	---	998
Research and development*	2022	1,657,744	---	---	(32,845)	1,624,899
Cross-border double tax.	2023	579,375	---	---	(579,375)	---
Rebate for donations (35%)	2023	4,480	---	---	---	4,480
Research and development	2024	---	1,561,857	---	---	1,561,857
Cross-border double tax	2024	---	507,142	---	(507,142)	---
Total		**3,687,217**	**2,068,999**	**(438,882)**	**(1,896,590)**	**3,420,744**

*amount included under the head of *Current tax assets* since the Parent Company requested monetisation of said amount in the 2023 corporation tax return and it was received in January 2025

As at 31 December 2023:

Item	Year of origin	2022	Generated	Applied	Estimate changes	2023
Cross-border double tax.	2018	57,862	---	---	---	57,862
ECERTIC merger R&D	2018	97,364	---	---	---	97,364
Research and development	2019	90,089	---	---	---	90,089
Cross-border double tax.	2020	205,158	---	---	---	205,158
Research and development	2020	260,497	---	---	(52,099)	208,398
Film production	2020	126,632	---	---	---	126,632
Cross-border double tax.	2021	316,078	---	---	---	316,078
Research and development	2021	303,012	---	---	(57,621)	245,391
Cross-border double tax.	2022	97,648	---	---	---	97,648
Rebate for donations (35%)	2022	998	---	---	---	998
Research and development	2022	---	1,657,744	---	---	1,657,744
Cross-border double tax.	2023	---	579,375	---	---	579,375
Rebate for donations (35%)	2023	---	4,480	---	---	4,480
Total		**1,555,337**	**2,241,599**	**--**	(109,720)	**3,687,217**

All the above rebates were generated by the Parent Company.

In the 2023 financial year the Group recognised an R&D&i expense rebate for 80% of the value of the Binding Reasoned Report (BRR) and of the amount recognised in the corporation tax return for rebates in the 2022 financial year. The Group recognised 80% of the same for the sum of 1,657,744 euros on the Consolidated Balance Sheet since it expects to request capitalisation of said amount. Accordingly, in the 2023 financial year, the deductions for R&D+i generated in the 2020 and 2021 financial years – initially recognised at 100% – were also reduced by 109,720 euros by including capitalisation of the same in the corporation tax return for the 2022 financial year.

In the 2024 financial year the Group recognised an R&D&i expense rebate for 80% of the value of the Binding Reasoned Report (BRR) and of the amount recognised in the corporation tax return for rebates in the 2023 financial year. The Group recognised 80% of the same for the sum of 1,561,856 euros on the Consolidated Balance Sheet since it expects to request capitalisation of said amount.

As at 31 December de 2024 the Parent Company had recognised deferred tax assets totalling 1.7 million euros (4.9 million euros as at 31 December 2023) related to the R&D+i tax credit calculated – in view of the Group's intention to monetise said amount – at 80% of the value of the BRR. In the 2023 financial year the Group also recognised negative taxable bases and unused tax credits which were derecognised in 2024 (see Note 13).

These estimates are based on the best information available for analysis as at 31 December 2024. Nevertheless, it is possible that future events may make it necessary to change them (upwards or downwards) in coming financial years. Said changes, if any, will always be made in a prospective manner in accordance with the provisions of Rule 22 of the General Accounting Plan, recognising the effects of any changes in the estimates in the associated Income Statement.

In view of the losses in the last two financial years and based on prudent criteria, during the 2024 financial year the Group derecognised deferred tax assets for negative taxable bases (as shown in the next paragraph) and outstanding rebates since the probability of recovery of the same is subject to fulfilment of the business plan. Nevertheless, the Board of Directors the and management of the Parent Company expect to generate taxable profit in the short term against which to apply these credits and deductions and therefore restate recognition of the same on the Balance Sheet.

Tax credits for negative taxable bases

The Parent Company has the following negative tax bases to offset with future tax credits:

31 December 2024

	Euros				
Year of origin	**Pending bases 2023**	**Generated in 2024**	**Offset in 2024**	**Pending bases 2024**	**Tax credit**
2024 financial year		5,228,564		5,228,564	**---**
2023 financial year	4,873,183	---	---	4,873,183	---
Total	4,873,183	**5,228,564**	**---**	**10,101,747**	**---**

31 December 2023:

	Euros				
Year of origin	**Pending tax bases 2022**	**Generated in 2023**	**Offset in 2023**	**Pending bases 2023**	**Tax credit**
2023 financial year	---	4,873,183	---	4,873,183	1,218,296
Total	**---**	**4,873,183**	**---**	**4,873,183**	**1,218,296**

Deferred tax liabilities

The temporary differences as at 31 December 2024 and 2023 derived from the subsidies received and transferred to the outcome for the financial year are set forth in this section.

The following is the breakdown of movements under this head during the 2024 and 2023 financial years:

	Euros	
	2024	**2023**
Initial balance	**209,947**	**64,092**
Temporary differences created / (reversed) for:		
- Capital subsidies granted	25,763	171,889
- Capital subsidies transferred to profit/(loss)	(63,186)	(21,149)
- Others	464,853	---
- Restatement of capital subsidies	42,275	---
- Conversion differences	---	(4,885)
Final balance	**679,652**	**209,947**

(NOTE 13) INCOME AND EXPENDITURE

a) Net turnover

The following is the geographic spread of the consolidated net turnover for the ordinary activities of the Group:

	%	
Market	**2024**	**2023**
Spain	1.91	1.91
Other countries	98.09	98.09
Total	**100.00**	**100.00**

Furthermore, 100% of net turnover is for provision of services to the Group companies.

The Group recognised the sum of 735.589 euros as at 31 December 2024 (1138868 euros as at 31 December 2023) under the head of *Short-term accruals* in *Current Liabilities* on the attached Consolidated Balance Sheet for estimated revenue from support and maintenance activities and provision of SaaS (cloud) services, accrual of which (1,138,868 euros as at 31 December 2023) takes place in the following financial year.

It is worth mentioning that – as a result of recognition of revenue at its current value – financial income of a commercial and business nature is generated by various licensing delivery contracts with long-term invoicing. 602,000 euros (311,000 euros in the 2023 financial year) was accrued as financial income in the 2024 financial year, of which 502,000 euros correspond to imputation of the net present value of various customer balances that changed from long to short term.

b) Inventory

Costs accrued for licensed use of certain computer programs and the software required to develop the products that the Group will subsequently market under license are set forth under this head in the Consolidated Income Statement. The sum of 4,782,928 euros has been recognised as at 31 December 2024 (3,377,271 euros in 2023).

c) Work performed by the Group for its own assets

	%	
	2024	**2023**
Work performed by the Group for its own assets		
• Facephi	4,584,481	4,170,850
Total	**4,584,481**	**4,170,850**

The amounts set forth in the above table, capitalised in intangible assets, originate in the improvements and new versions of its software that the Group has continued to make and are recognised in *Intangible Fixed Assets* (see note 4).

d) Other operating income

- ***Non-core and other current operating income***

	Euros	
	2024	**2023**
Revenues from services for personnel.	85,731	64,874
Income por sale of tax rebates (TAXLEASE)	1,922,759	---

Revenues from royalties	497,135	---
Total	**2,505,625**	**64,874**

In September 2024, the Parent Company entered into a series of contracts with an investor resulting in the temporary transfer of the R&D activity for the development of a project to an Economic Interest Group (EIG) set up by the investor. Transfer of the R&D activity was structured in such a way that it produces remuneration for the Parent Company from the project developed in 2024 that generated revenue of 1,922,000 euros in the same year. Furthermore, pursuant to the aforesaid contracts the Parent Company has the right to recover the transferred R&D activity. Consequently, the development expenses incurred to generate this R&D are recognised in the Parent Company's Intangible Assets as at 31 December 2024 and are subject to amortisation (see note 4).

Moreover, this item includes income accrued over time during the term of HANCOM's distribution agreement resulting from the difference in value between the conversion price and the fair value at the time of the agreement. (Note 10a) (Note 10a)

- ***Operating grants charged to outcome of the financial year***

In accordance with the criteria set forth in note 3.10 as at 31 December 2024, Company management has allocated the sum of 40,247 euros (111,382 as at 31 December 2023) to the Income Statement (see Note 10.2).

e) Personnel expenses

	Euros			
	2024		2023	
	Facephi	Rest of Group	Facephi	Rest of Group
Wages, salaries and others	12,718,711	2,029,379	8,814,050	2,089,590
Severance payments	367,235	353,100	110,318	100,693
Company's Social Security contribution	2,163,223	250,890	1,778,286	242,437
Other employee benefits	181,708	59,488	126,769	301,550
Total	**15,430,877**	**2,692,857**	**10,829,423**	**2,734,270**

As at 31 December 2024 the wages, salaries and similar account includes the sum of 1,865,000 euros for bonuses granted and pending payment to the Parent Company's personnel (624,000 euros at the end of the previous financial year).

The following is the average number of employees in the financial year by category:

	Euros			
	2024		2023	
	Facephi	Rest of Group	Facephi	Rest of Group
Senior management	2	-	2	-
Scientific, intellectual and support technicians and professionals	149	22	141	22
Clerical workers	44	3	27	3
Sales force and similar	7	2	15	3
Average total employees	**202**	**27**	**185**	**28**

These employees were distributed by gender as follows at the end of the financial year:

	2024			2023		
	Men	Women	Total	Men	Women	Total
Executive directors	2	-	2	2	-	2
Scientific, intellectual and support technicians and professionals	149	26	175	145	24	169
Clerical workers	15	32	47	16	26	42
Sales force and similar	8	1	9	12	2	14
Total workforce at the end of the financial year	**174**	**59**	**233**	**175**	**52**	**237**

As at 31 December 2024 and 2023 the Group employs three (3) workers with a disability equal to or greater than 33%.

The average number of employees with a disability equal to or greater than 33% for fiscal year 2024 was two (2) people (the same number during the 2023 financial year).

f) Other operating expenses

The following is the breakdown of other operating expenses by year:

	Euros	
	2024	2023
External services:		
Research and development expenses	---	5,000
Leases and fees	782,955	2,345,038
Repairs and upkeep	53,684	47,983
Freelance professional services	8,529,970	6,731,099
Transport	1,081	2,735
Insurance premiums	256,286	205,888
Banking and similar services	167,405	89,653
Advertising, promotion and public relations	1,326,354	1,223,829
Supplies	54,048	31,100
Other services	2,774,445	1,521,881
Taxes	4,755	8,545
Loss, impairment and variation of provisions for uncollectible trade transactions (note 8)	424,887	1,268,650
Other operating expenses	**14,375,870**	**13,481,401**

g) Foreign currency: Exchange differences

The overall value of assets denominated in foreign currency (f.c.) amounts to 24,610,805 euros (24,610,805 euros in 2023). The following are the most significant items:

		Euros	
Item	**Currency**	**2024**	**2023**
Trade accounts (foreign currency)	USD	21,855,117	22,686,285
Trade accounts (foreign currency)	KRW	14,404	161,275
Treasury (c/c in f.c.)	USD	3,589,540	1,499,237
Treasury (c/c in f.c.)	KRW	85,336	220,098
Treasury (c/c in f.c.)	GBP	9,962	11,888
Treasury (cash f.c.)	USD	678.00	678
Fixed-term deposits (f.c.)	USD	34,017	31,344
Total		**25,589,054**	**24,610,805**

The following is a breakdown of liabilities denominated in foreign currency:

		Euros	
Item	**Currency**	**2024**	**2023**
Creditors (f.c.)	USD	4,962,824	2,906,714
Creditors (f.c.)	KRW	28,420	31,537
Creditors (f.c.)	GBP	129,236	166,889
Advance payments customers (f.c.)	KRW	---	5,692
Total		**5,120,480**	**3,110,832**

The main transactions carried out in currencies other than the euro are detailed below:

	Euros	
	2024	**2023**
Services received (USD)	(10,435,657)	(5,166,967)
Services received (GBP)	(794,090)	(415,918)
Services received (KRW)	(342,662)	---
Sales of services provided (USD)	30,149,480	23,572,820
Rev. from services provided (GBP)	---	420,940
Sales of services provided (KRW)	1,090,336	621,381
Total	**19,667,407**	**19,032,256**

The following table shows the amounts of the exchange differences recognised in the outcome for the financial year. The figures for transactions settled during the period are separated from those pending settlement as at 31 December 2024 and 2023:

		Exchange rate differences	
Financial instrument	**Currency**	**2024**	**2023**
Negative cash differences	USD	175,302	162,603
Positive cash differences	USD	(4,567)	(1,870)
Positive cash differences	KRW	186	---
Negative differences from trade collections	USD	127,764	265,765
Positive differences from trade collections	USD	(247,259)	(180,402)
Positive differences from trade collections	KRW	---	---
Negative differences from payments to suppliers	USD	107,409	64,840
Negative differences due to credit balances	KRW	---	---
Positive diffs for financial instr. balances	USD	(8,830)	(143,447)
Negative differences for financial instr. balances	USD	11,925	232,067
Positive differences in supplier payments	USD	(44,670)	(55,946)
Total for transactions settled in the financial year (+) -		**117,261**	**343,610**

		Exchange rate differences	
Financial instrument	**Currency**	**2024**	**2023**
Negative differences due to trade balances	USD	404,912	60,560
Positive differences due to trade balances	USD	(1,069,918)	(336,848)
Negative differences due to financial investment balances	USD	---	---
Positive diffs for financial instr. balances	USD	---	---
Positive differences for supplier balances	USD	---	(71,129)
Negative differences for supplier balances	USD	289,955	6,857
Total for transactions pending maturity (+) -		**(375,050)**	**(340,560)**
Total exchange differences allocated for the year (+) -		**(257,790)**	**3,050**

NOTE 14 REMUNERATION OF THE PARENT COMPANY'S BOARD OF DIRECTORS AND SENIOR MANAGEMENT

In accordance with the proposal of the Appointments and Remuneration Committee on 23 May 2024, subsequently ratified by the General Meeting held on 28 June 2024, the Governing Bodies and the Board of Directors received the following remuneration for the 2024 financial year:

- For senior management remuneration (CEO): a total of 721,556 euros plus a special bonus of 150,000 euros and a variable payment subject to the variation in net turnover.
- Remuneration of the Board of Directors: the sum of 390,000 euros for remuneration of the Audit Committee and the Appointments and Remuneration Committee.

Pursuant to these agreements, the remuneration accrued as at 31 December 2024 and 2023 was the following.

a) Remuneration of members of the Board of Directors and senior management.

During the 2024 and 2023 financial years the members of the Board of Directors – some of whom are also senior managers – received the following statutory and salary remuneration including Board expenses and per diem allowances, remuneration in kind and insurance premiums of civil responsibility for managers and directors:

	Euros	
	2024	**2023**
Remuneration:		
Remuneration-senior management	1,181,939	660,000
Variable remuneration-senior management	1,500,000	---
Board and Audit and Remuneration Committee allowances	416,672	390,000
Other remuneration	62,599	68,266
Other remuneration	315,000	---
Insurance premiums	13,729	16,961
Total remuneration	**3,489,939**	**1,135,227**

Neither the members of the Board of Directors nor senior management have been granted financial credits or benefitted from pension-related schemes.

b) Directors in relation to conflicts of interest

In compliance with the duty of avoiding situations that could entail a conflict of interest with the Group, all directors who have held offices on the Board of Directors have fulfilled the obligations set forth in article 228 of the consolidated text of the Corporate Enterprises Act during the 2024 financial year. Furthermore, both the Directors and persons related to the same have refrained from incurring in the cases of conflict of interest which may be authorised by the governing body provided for in article 229 of said Act.

(NOTE 15) ENVIRONMENTAL INFORMATION

The Group does not have significant tangible fixed assets intended to mitigate the environmental impact of its activity. Nor has it incurred in significant expenses during the financial year for aimed at protecting and improving the environment.

At the present time there are no known contingencies related to protection and improvement of the natural environment or their potential impact on the Group's outcomes and equity position.

No subsidies of an environmental nature have been received.

NOTE 16. PROVISIONS AND CONTINGENCIES

The Company has placed bonds to guarantee compliance with the service and licensing contracts entered into with some of its clients. The following is a breakdown of these bonds as at 31 December:

			Euros	
Issue	**Maturity**	**F.C.**	**31.12.24**	**31.12.23**
08/07/2021	20/09/2026	USD (*)	34,017	33,133
15/03/2023	30/07/2024	USD	---	16,290
04/01/2022	indefinite	USD	9,626	9,050
10/09/2024	10/09/2025	USD	72,192	---
11/02/2022	25/08/2024	USD	---	23,119
29/4/2024	01/04/2025	USD	82,972	---
02/07/2024	29/07/2025	USD	83,065	---
12/04/2023	01/04/2024	USD	---	101,357
		Totals	**281,872**	**258,739**

(*) Said surety is pledged in a fixed-term deposit for USD 35,500 (Note 9).

NOTE 17. SUNDRY INFORMATION

a) Auditing fees

On 30 June 2023 the Parent Company's General Meeting agreed to appoint Ernst & Young S.L. as auditors for the financial years ending on 31 December 2023, 2024 and 2025.

The following is a breakdown of the professional fees accrued under this head regardless of the date on which they were invoiced:

	Euros	
	2024	**2023**
Audit services:		
• Audit of individual annual financial statements	38,480	57,000
• Audit of the consolidated annual financial statements	17,056	16,400
Other services related to the audits:		
• Review of the Consolidated Interim Financial Statements as at 30.06	23,504	22,600
Other accounting verification services	2,496	2,400
Other special reporting services	10,000	-
Total professional services	**91,536**	**98,400**

As at 31 December 2024 no fees have been accrued by other companies of the E&Y group for tax consultancy, special reports, other verification services or other services of any nature whatsoever. Nor were any such services required by the previous auditors as at 31 December 2023.

b) Off-Balance Sheet agreements

Provided that the information involved would be significant or helpful in determining the Group's financial position, there are no agreements or contracts or their potential financial impact that have not been included in the Balance Sheet and/or concerning which, information has not been provided in other notes to the Report.

NOTE 18. EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 10 January 2025, Nice & Green notified the Parent Company of the fourth and last conversion of the 600,000 euros (60 bonds at 10,000 euros par value each) still pending from the issue of 2,400,000 euros (Note 11) related to the financing by convertible bonds with the following conditions:

Notification date	Amount	Conversion (shares)	Exercise price	Par value	Issue premium	Capital	Issue premium
10/01/2025	600,000	365,163	1.6431	0.04	1.6031	14,607	585,393

The aforesaid conversion of these 600,000 euros was notarised on 16 January 2025 and registered in the Companies Registry on 11 February 2025.

On 3 January 2025, Nice & Green disbursed the 500,000 euros of the last of the four tranches of the two-million euro loan granted on 30 September 2024 (Note 11).

On the drafting date of these Consolidated Financial Statements, Nice & Green, S.A. and Facephi are reaching an agreement for capitalisation of the aforesaid loan of two million euros, together with the accrued interest, under the following conditions: 103% VWAP for the five (5) business days immediately prior to 2 April 2025 with a conversion price of 2.43 euros per share.

The Company's governing body considers that no other significant subsequent events in addition to those set forth above have occurred that could affect the information contained in these annual financial statements.

Alicante 31 March 2025

CONSOLIDATED MANAGEMENT REPORT

FacePhi, leader in digital identity verification

FacePhi is a company that has been marketing digital identity solutions for more than 10 years. With a wide experience in the financial sector, it provides high value solutions with the sale of products such as: Onboarding, applied in user registration processes or contracting new products, automatically captures the information of the document verifying the face of the person in front of a selfie, demonstrating the veracity and vividness of the customer; and Authentication, applied in access and loyalty processes of procedures (1-1) and (1-N).
These solutions are marketed through a licensing model that can be: pre-purchase, where the client contracts in advance a package of licences available for consumption, thus renewing that volume once they have been used; or post-consumption, where the client has the technology, enjoys it, and is invoiced according to the use made in a given period of time, with the cadence agreed in the contract (normally quarterly). These solutions can be deployed in both SaaS and Onpremise environments.

Facephi is an expert in digital user identity verification that specialises in digital onboarding and biometric authentication solutions. Our mission is to create more secure, accessible and fraud-proof digital processes. To do so, we rely on innovation with artificial intelligence, machine learning, application of blockchain technology and the introduction of decentralised digital identity.

With head offices in Spain and subsidiaries in South Korea, Uruguay, United Kingdom and Brasil, FacePhi is equipped with a multidisciplinary team determined to provide the best technology to its customers wherever they may be.

FacePhi develops its technology with the aim of providing the best user experience and obtains the customer's prior knowledge and consent to identification. Thus, the firm complies with its own strict ethical standards and with the KYC, AML and GDPR regulations. Today, the Group that began life as the sector leader in the financial industry, one of the most demanding segments in terms of security, now operates in many others including insurance, healthcare, public administration, travel and transport, sporting events and collective mobility.

Facephi now has more than 300 million use transactions worldwide, more than 350 customers and a retention rate of over 95%.

Our new product, **Facephi Identity Platform**, is a modular platform available in several different architectures and is capable of combining various biometric solutions in the same tool. It provides enhanced adaptability to needs in regulatory compliance-related aspects and to the idiosyncrasies of each country, industry or use case to which it is applied.

Users will be able to select and combine biometric solutions including facial, periocular, fingerprint, voice, digital signature and behavioural aspects, read official identity documents, validate their authenticity and provide proof of life by means of passive liveness on the platform in addition to verifying their digital identity.

The development of this customisable, code-free platform represents an important leap forward for the Group, which moves on from providing individual biometric solutions to facilitating a tool that enables each company or organisation to design a customised solution that meets their particular needs, including their digital onboarding and authentication processes. This modular solution incorporates real-time operational control, a dashboard with the key performance indicators (KPIs) and transaction and statistical logging, among other functions.

FacePhi performs **regular internal audits** of its products and services through its QA Department. Even so, the Parent Company has submitted its processes to various external audit and certification procedures that attest to our desire to improve and refine our technology.
External audits:
FacePhi's systems and technologies are subjected to regular audits of compliance with the General Data Protection Regulation (GDPR), Information Security (IS), Cybersecurity and Business Continuity (BC), earning certification under the following standards of international prestige.

Legal compliance and data protection

- **Data protection and criminal compliance:** We comply with the following regulations: The General Data Protection Regulation (GDPR) and Organic Law on the Protection of Personal Data and Guarantee of Digital Rights (Spanish acronym LOPDGDD), backed by information security certifications.

- **FacePhi's Criminal Risk Prevention Plan** FacePhi is convinced that fostering integrity means acting in accordance with our values (responsibility, excellence and innovation) in our day-to-day work as a company. Compliance, therefore, is a key aspect of integrity: compliance with the law and compliance with our internal regulations. The FacePhi Compliance System is structured in three levels of action: Foresee, detect and respond. These levels comprise a comprehensive system of activities through which we aim to ensure that our business is always carried out in accordance with the applicable legislation, universally-accepted standards and our own internal principles and guidelines.

- **The Compliance Committee** is responsible for applying the Compliance Plan, verifying its effectiveness and reporting to the Board of Directors on a quarterly basis on the dissemination, awareness and compliance with the Group's Criminal Risk Prevention Plan, Code of Ethics and the Protocol on insider information to prevent market abuse practices.

The Whistleblower Channel

As a result of its commitment to regulatory compliance and its internal value system, the Group has implemented a Whistleblower Channel with the aim of not only fostering a culture of ethical conduct and good governance, but also to detect and prevent irregular, illicit or criminal conduct. In October 2019 the European Union adopted Directive (EU) 2019/1937 on the protection of persons who report breaches of Union law – also known as the Whistleblowing Directive – that lays down detailed requirements for reporting channels including whom the Directive protects, how the channels should be regulated, which organisations must implement them, the requirements they must meet and the protection of whistleblowers, among other aspects.

Governance, risk and corporate compliance

- **ISO/IEC 27001** (ISMS). A standard for information security management systems (ISMS) to ensure the confidentiality, integrity and availability of the information and the systems that process it.
- **ISO 22301**. Business continuity management system.
- **ISO 27017**. Security controls for cloud service providers and users.
- **ENS**. Intermediate level certification by the Spanish National Security Scheme (ENS).
- **Pinakes** certification (award of this certificate distinguishes the Company as an approved technology provider vis-à-vis all financial institutions in Spanish territory).

Product and technology certification

- **ISO 30107-3 iBeta Level 1**. The parent company is the only company in the sector that complies with the ISO 30107 standard both in terms of its Facial Recognition algorithm (Matcher) and its PAD algorithm through Passive Liveness.
- **ISO 30107-3 iBeta Level 2**. Certification at this level represents compliance with the highest standard to date in detection of presentation attacks in facial biometric technologies achieved by any company in the sector.
- **KISA K-NBTC Certification.** KISA K-NBTC certification: certification that validates the performance of the Group's identity verification algorithm issued by the National Biometric Testing Centre (K-NBTC) of the Korea Internet Security Agency (KISA).
- **UK Digital Identity and Attributes Trust Framework (UK DIATF).** The parent company is certified as an identity service provider (IDSP) within the UK Digital Identity framework for provision of secure, reliable digital identity services by means of its products and services.
- **SEPBLAC**: video-identification circulars. The parent company is a certified supplier of onboarding and remote digital identity services within the compliance framework established by the Executive Service of the Commission for the Prevention of Money Laundering and Monetary Offences (Sepblac).

Biometric information interchange:

- **ANSI/NIST-ITL 1-2011**. data format for storage and interchange of biometric information for system interoperability.
- **ISO/IEC 19794- 5.** specifies a format for storing, recording, and transmitting information of facial images, scene constraints, photographic properties and digital image attributes of the facial images and provides best practices.
- **ISO 30107-3: Information technology — Biometric presentation attack detection Level 1**: The parent company is the only company in the sector that complies with the ISO 30107 standard both in terms of its Facial Recognition algorithm (Matcher) and its PAD algorithm through Passive Liveness. The standard stipulates the method for assessing the strength of a biometric algorithm against presentation attacks (attempted fraud). ISO 30107-3 is the most prestigious standard in biometrics at the international level.

FacePhi was assessed by the independent testing laboratory iBeta, selected because it is the only organisation worldwide to date whose biometric laboratories have been endorsed by NIST/NVLAP.

- **ISO 301073 Information technology — Biometric presentation attack detection Level 2**: This instance of the standard focuses on attacks of greater complexity against the technology. Certification at this level represents compliance with the highest standard to date in detection of presentation attacks in facial biometric technologies achieved by any company in the sector.

- **ISO 27001:2013 Information technology. Security methodology. Information Security Management Systems.** The parent company is certified under the standard that ensures the security, confidentiality, integrity and availability of information and of the systems that process it. Its information security management system guarantees that FacePhi assesses the risks to which it is exposed and applies the controls required to mitigate or eliminate them. This standard endows the Company with credibility and enables customers to differentiate us from the competition.
- **ISO 22301 Security and resilience. Business continuity management system.** This is the international standard designed to help organisations to foresee, prepare for, respond to and recover from physical and/or logic-based disruptions.
- **National Security Scheme (ENS)**. This is a mandatory regulation for all public corporations in Spain and for private companies that provide services to public entities depending on the type of service they provide or the information they process. The ENS is composed of the basic principles and minimum requirements for proper protection of information. Its goal is to ensure the access, integrity, availability, authenticity, confidentiality, traceability and conservation of the data and services that are managed by electronic means.
- **PINAKES** is a qualification or rating that assesses an organisation's degree of compliance with 1,336 controls related to the physical security, cyber-resilience, risk management, GDPR-related, legal compliance, management and monitoring of systems, access control, information asset management, business continuity and human resources management domains, among others. It is promoted by the ICC (Interbank Cooperation Centre) of the Bank of Spain. The Group is rated AAA. Pinakes' controls entail compliance with parameters related to ISO 27017:2015 and ISO 27018:2019 on Information Security in Cloud environments and PII Protection in the Cloud.

- **KISA** certifies the performance metrics of FacePhi's Verification algorithm with NIST methodology on the basis of the Korean government's databases. This certificate guarantees the performance of verification algorithms for domestic use in the Korean market in any field of application. K-NTBC is the laboratory that assesses biometric solutions employed by KISA, the Internet and security agency of the South Korean government, certification by which endorses SelphID® as a reliable, secure biometric system for users in the Asian market.

FacePhi also complies with the guidelines set by the following standards:

- **ISO/IEC TR 24741:2018, ISO/IEC 2382-37:2012, ISO/IEC 29194:2015, ISO/IEC 19092:2008, ISO/IEC TR 24714-1:2008**: these standards describe and assess the various biometric technologies, automatic recognition system architectures and processes that use biometric technologies and concepts, the security framework for use of biometrics to authenticate people in financial services and references concerning the accessibility and usability for biometric systems.
- **ISO 9001:2015, ISO/IEC 20000-1:2018**: standards that specify the requirements to set up, implement, maintain and improve quality management systems and define the internationally-recognised criteria in information technology (IT) service management.
- **ISO/IEC 19795-1** lays down the methods and metrics for assessment and documentation of the performance of a biometric system.

- **ISO 19794-1** and ISO 19794-5 specify general aspects and requirements for definition of biometric data exchange formats, saving, storage and transmission of facial images and the properties with which photographic images and their attributes must comply.

Main risks and uncertainties facing the company

The current main risk factors do not differ significantly from those set forth in the Market Incorporation Information Document (DIIM) submitted in June 2014 or from those included in the Reduced Extension Documents (DAR) submitted in March 2015 and February 2016, all of which have been suitably updated. It should be noted that these risks are not the only ones that the Parent Company may have to face and that may have an adverse material effect on the price of FACEPHI BIOMETRIA, S.A. shares, which could lead to a partial or total loss of the investment. The following are the most significant risks, although there may be others less important or unknown at the drafting date of this management report.

Risks linked to excessive exposure to technological innovation

The sector to which FacePhi belongs is subject to intense research and technological innovation that entails constant upgrading of products and, therefore, a high rotation or obsolescence rate of the solutions that the Company markets at all times. Said innovation requires investments in personnel, material and marketing that the Group must be in a position to tackle.

Emergence of new companies or creation of new technologies that directly affect the Group

Technology is constantly growing and evolving, which means that the creation of new, robust companies that provide a product with a competitive advantage or the emergence of new technologies or biometrics that are more effective or obtain a higher degree of social acceptance can never be ruled out.
In the event that these circumstances occur the market share these new companies acquire as competition increases would be subtracted from that of the companies that currently operate in the sector. In that case the latter could be forced to reduce their production, lose customers and suffer the consequent adverse effect on their share price. Despite this, the Group is committed to continuous research and development in which its own technology is developing and improving on a daily basis. This factor works in favour of enterprises already in the sector and acts as an entry barrier to those that attempt to penetrate the market.

Intellectual property rights

The parent company holds the following registered trademarks in the European Union (MUE):

• FACEPHI BEYOND BIOMETRICS	• PHIVOX
• SELPHI, YOU BLINK, YOU´RE IN	• SELPHI ID
• LOOK & PHI	• SIGNPHI
• INPHINITE	

The Selphi You Blink You´re in and FacePhi Beyond Biometrics trademarks (MUE 015106354 and MUE 015114853 respectively) are registered in both the European Union and in the United States of America pursuant to registration with the USPTO (United States Patent and Trademark Office) by certificates no. 79190080 and 79190126.

European Union trademark protection is also provided by European trademark certificates with registration numbers MUE 017896710 LookΦ MUE 017948110 inPhinite; MUE 017948113 4Phingers; MUE 017948116 Phivox; MUE 017948119 SignPhi and MUE 017948878 SelphID.

International expansion and activity in LATAM has prompted the governing body to extend the geographical coverage of trademark protection. Consequently, the FacePhi Beyond Biometrics and SelphID Identity Validation trademarks are duly registered either as international trademarks with territorial designation or as domestic trademarks in all markets in which the parent company carries out commercial activity in APAC, LATAM and EMEA.

The new registered trademarks are:

- MUE 018762534 FACEPHI (mixed)
- MUE 018762535 FACEPHI (denominative)
- MUE 018779488 FACEPHI IDENTITY PLATFORM (mixed)
- 4184138 FACEPHI PROTECTING IDENTITY TO BUILD THE FUTURE (Spain - OEPM)

One of FacePhi's most important business assets is its software (algorithms), and this is due to the effort to comply with the internationally-enforceable conditions essential for protection of business secrets.

Intellectual property

Entry into force of Act 1/2019 of 20 February, the Trade Secrets Act, determines a scenario where legal certainty regarding knowledge considered to constitute business secrets (algorithms, know-how, etc.) is greater than before and consequently provides stronger protection against potential breaches of business secrets.

Furthermore, I.T. programs and algorithms – software, in short – are protected by the Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS), the Berne Convention for the Protection of Literary and Artistic Works and Directive (EU) 2016/943 of the European Parliament and of the Council of 8 June 2016 on the protection of undisclosed know-how and business information.

One of FacePhi's most important business assets is its software (algorithms), and this is due to the effort to comply with the internationally-enforceable conditions essential for protection of business secrets, namely, contractual clauses that explicitly formalise said duty of privacy, reinforce the reserved nature of business information for the bound party and restrict the conditions applicable to the confidential information with respect to the people who have access to it.

Nevertheless, the legal doctrine and jurisprudence in the field agree that application of the Act will not be really effective unless the companies are equipped with tools capable of configuring an environment of security, protection, reliability and traceability.

Risks derived from loss of key personnel

Since FacePhi is a young company that depends heavily on its founders and managers, emphasising the risk derived from their dismissal or resignation from management of the Company is inevitable. Although occurrence of the aforesaid risk is highly unlikely for voluntary reasons since they are still the majority shareholders, their absence for reasons beyond their control cannot be ruled out and would obviously entail the aforesaid risk. The death or dereliction of key personnel could negatively affect the Company's business, its outcomes, prospects or financial, economic or equity-related position.

As a general rule, Facephi adopts post-contractual non-competition agreements in order to avoid the negative impact on the business of the dereliction by key personnel. These pacts are based on two premises:

- **Effective industrial or commercial interest.** Effective industrial or commercial interest A real and effective industrial or commercial establishment sets limits against the option of entering into non-compete agreements with workers in sectors in which the employer lacks a true and legitimate interest that could compensate for the limitation on the right to work that guarantees the freedom of citizens to freely choose their profession or trade. Since it is a somewhat nebulous legal concept, its application in practice is subject to the deliberations of the law courts. In order to assess whether or not there is a true industrial interest, the activity of the former employer and that of the new competing company are compared to ascertain whether they have the same corporate purpose and compete in the same market or if they have the same customers.

- **The compensation:** The reason for establishing an adequate monetary compensation is to endow the worker with financial stability for a certain period after ending his/her employment contract ends for whatever reason, given that the non-compete agreement prevents workers from being able to “find work in the field in which they have been habitually providing services and where they can presumably offer their best skills and competencies".

Risks linked to the share price

Variation in share price. Basically, as a consequence of their particular characteristics, the Parent Company's shares have been highly volatile ever since they were first listed on the market. FacePhi is a small cap company. Considering its current size, FacePhi's market capitalisation is approximately 62 million euros on the 31 March 2025.

Social acceptance risk

Due to the fact that the technology sector is subject to constant variations, there could be changes in consumer trends and/or in the market itself that entail changes in the use of facial biometrics to a greater or lesser degree compared to other biometric systems or security systems.

Theft or hacking of essential information and technology code

FacePhi is working to eliminate or mitigate this risk in various ways. Firstly, all our code and software packages are subject to data integrity strategies (preventing the code from being altered in a way that creates backdoors or other threats), availability (ensuring code recovery at all times) and confidentiality (rules of least privilege access to the code, "hashing" of closed source packages, constant review of access permission, etc.). To complete the security cover, we only employ code repositories that comply with the ISO 27001 and ISO 22301 standards, under which FacePhi is also certified.

FacePhi also works under the strict S-SDLC (Secure Software Development Life Cycle) a strict protocol based on OWASP methodology within the scope of our ISO 27001 certification.

Finally, our automated licensing system prevents the use of technology beyond the scope and life cycle for which it has been approved in the project or for delivery to a specific customer.

Recurring revenues

The income type is segmented between sale of licences – which can be recurring or perpetual – and other related income such as support, maintenance, certification, consultancy, upgrades or specific developments. Recurring license sales currently represent more than 65% of the Group's revenue. The future success depends on growth of sale and renewal of recurring licences, acquisition of new customers, sale of new licences or products to existing customers and development of new products.

Analysis of the variation and results of the businesses and the roup’s position

The Parent Company is a global leader in identity verification with a strong presence in the financial services sector. Listed under the dual listing formula that involves trading on the Euronext Growth market in Paris and on the BME Growth – formerly the Alternative Stock Market (MAB) – in Spain, it has achieved revenues of 28.8 euros from the sale of licences, an increase of more than 15% compared to 2023.

Its sale figures have been growing steadily in recent years. Latin America continues to be its main market.

In the 2024 financial year, the Group made improvements in the following key parameters:

- Turnover, which increased from 25.1 million euros in 2023 to 28.9 million euros in 2024.
- Working Capital, which increased from -3.3 million euros in 2023 to +2.0 million euros in 2024. Free Cash Flow generated 4.4 million euros more than in 2023.
- Net financial debt (not including convertible debt already capitalised or in the process of being capitalised at the date of formulation) from EUR 10.0 million in 2023 to only EUR 4.5 million in 2024.

All these improvements continue to be included in the 2025 Budget, with the knowledge and support of its main Partners, the Board of Directors and the commitment of the Management team to their implementation. The updated business plan is firmly supported by the directors and main shareholders.

Information on issues related to regulatory compliance

The governing body is firmly committed to excellence in service and prioritises results, while responsible management of the environment, interest in people, health and safety, social commitment, integrity and transparency are the main pillars of the corporate responsibility policy of Facephi.

Supervision of the Group's performance in this area ultimately falls on the Board of Directors as set forth in the recommendations of the Code of Ethics and the Regulations of the Board. The Board is responsible for approving the Group's Corporate Responsibility Policy and receives information on its implementation and general monitoring at least on an annual basis.

The Board of Directors is also charged with leading the effective integration of corporate responsibility into the company's strategy and in its day-to-day management, thus consolidating a robust corporate responsibility culture. Implementation of a Criminal Risk Prevention Plan is a result of the Board of Directors' compliance with this responsibility in its desire to ensure proper enforcement and monitoring of the commitments it has assumed.

Information on criminal compliance: FacePhi's Criminal Risk Prevention Plan. This *Compliance System* attests to the Company's will to foster a culture of compliance in the minds and acts of all FacePhi's employees. The FacePhi *Compliance System* is structured in three levels of action: Foresee, detect and respond.

Information on issues related to R&D+i

Research and development expenses capitalised as at the end of 2024 are linked to the Group's projects and milestones.
The Parent Company continues to implement its investment policy and to improve its current facial biometric applications. Expenses capitalised during the financial year ended on 31 December 2024 are pegged to the following milestones:

	Euros	
Description:	**31.12.2024**	**31.12.2023**
Improvements to software development kit (SDK)	4,346,523	3,676,988
Platform as a service (PAAS)	--	--
Identity Platform	237,958	493,862
Total internal development	**4,584,481**	**4,170,850**
Development acquired from third parties	351,731	387,303
Total	**4,936,212**	**4,558,153**

Said expenses are recognised under the head of Development since there are good reasons to foresee commercial success on completion, at which time they are reclassified under the head of Intangible assets in accordance with their nature. If there were well-substantiated reasons to consider that the project will not be successful, the Group would write off these expenses and recognise them as losses in intangible fixed assets. Almost all the activity involved in development of new applications or improvements to current ones has been performed internally and recognised by capitalisation of production costs under the head of "Works performed by the company for its own assets" in the Income Statement.

Developments activated as at 31 December 2024 and 2023 consisted mainly of anti-fraud security improvements, interactive user guides during registration and tools for integrating technology into multi-platform applications. After conducting tests and trials, management considers that the developments are operative and have been brought to a successful conclusion and will be placed on the market next year.

The Parent Company's directors consider that the capitalised research and development expenses meet all the conditions set in the applicable regulations for capitalisation.

Information on issues related to personnel

Corporate social responsibility is an integral part of **Facephi**'s identity. Consequently, the Company is implementing its own **social commitment plan** that devotes part of the workday to activities aimed at making society a better place.

During the year ended 31 December 2024 the Company has maintained an average workforce of 229 full-time-equivalent employees and complies with the legal standards set forth in both the labour-related legislation and the applicable collective agreement (see note 14.e of the Consolidated Report).

Information on environmental issues

The Group does not have significant tangible fixed assets intended to mitigate the environmental impact of its activity and neither has it incurred in significant expenses during the financial year aimed at protecting and improving the environment. Expenses derived from corporate activity aimed at protecting and improving the environment are recorded as an expense in the financial year in which they are incurred. These expenses are accounted for as increased value of the fixed assets in question when they involve additions to property, plant and equipment the purpose of which is to minimise our environmental impact and protect and improve the environment. At the present time there are no known contingencies related to protection and improvement of the natural environment or their potential impact on the Parent Company's outcomes and equity position. No subsidies of an environmental nature have been received.

Average period of payment to suppliers and the measures to be applied in the following year to reduce this parameter to the legal maximum provided for in the regulations to combat late payment

The average period of payment to suppliers in the financial year ended 31 December 2024 was 68 days (see note 12.5 of the Report). This average period of payment to suppliers is understood to represent the payment time or the delay in paying the trade debt.

Important events subsequent to the end of the financial year

On 10 January 2025, Nice & Green notified the Parent Company of the fourth and last conversion of the 600,000 euros (60 bonds at 10,000 euros par value each) still pending from the issue of 2,400,000 euros (note 11.3) related to financing by convertible bonds with the following data:

Notification date	Amount	Conversion (shares)	Exercise price	Par value	Issue premium	Capital	Issue premium
10/01/2025	600,000	365,163	1.6431	0.04	1.6031	14,607	585,393

The conversion of said 600,000 euros was notarised on 16 January 2025 and registered in the Companies Registry on 11 February 2025.

On 3 January 2025, Nice & Green proceeded with the disbursement of 500,000 euros corresponding to the last of the four tranches of the 2 million euro loan granted on 30 September 2024.

At the date of formulation of the consolidated annual accounts, Nice & Green, S.A. and Facephi are closing the agreement for the capitalisation of the aforementioned Loan of 2 million euros, together with the accrued interest, with the following conditions: 103% of the VWAP of the five (5) business days immediately preceding 2 April 2025 which corresponds to a conversion value of 2.43 euros per share.

Deferred tax assets

Although the profit and loss account records an impairment of 3.1 million euros corresponding to deductible temporary differences, tax losses, deductions and other unused tax benefits, the company, based on the annual Budget and the Business Plan, expects to generate tax benefits in a very short period of time against which to apply these credits and deductions. The above-mentioned figure of EUR 3.1 million, which represents only 11% of the 2024 Sales, will be re-estimated again for recognition in the Balance Sheet in a very short period of time.

The foreseeable progress of the Group

The Company's forecast indicates consolidation in established markets and expansion in the banking sector of new countries and continents (America and Asia) and capture of new customers in sectors different from banking. In line with our business plan, we expect an increase in turnover and enhanced profitability in the coming months and years.

Treasury stock Treasury stock: reasons for the acquisitions and disposals carried out during the financial year

The total amount of treasury stock held as at 31 December 2024 is 341,646 euros (393,977 euros at 31 December 2023) represented by 198,147 shares (158,449 shares at the end of the previous financial year), the equivalent of 0.82% (0.75% in 2023) of the Parent Company's share capital. This is well below the maximum limit of 10% provided for in article 509 of the Corporate Enterprises Act.

Annual Financial Statements and Management Report
31 December 2024

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Standalone Balance sheet 31st December 2024 (In Euros)		
ASSETS	31/12/2024	31/12/2023
A) NON-CURRENT ASSETS	**20.834.406**	**30.427.857**
I. Intangible fixed asset	**11.787.541**	**11.837.865**
II. Tangible fixed assets	**2.264.647**	**2.565.865**
IV. Non-current investments in group and associated companies	**462.658**	**3.925.417**
V. Non- current financial investments	**145.709**	**129.785**
VI. Deferred tax assets	**1.795.844**	**4.901.032**
VII. Commercial debtors	**4.378.007**	**7.067.893**
B) CURRENT ASSETS	**28.441.561**	**18.085.530**
III. Trade and other receivables	**22.107.218**	**14.762.253**
1. Clients from sales and provision of services	18.437.369	12.973.216
4. Personal	2.050	-
5. Assets for current taxes	1.624.899	(733)
6. Other credits with PPAA	2.042.900	1.789.338
V. Current financial investments	**62.988**	**49.414**
VI. Short term accruals	**632.355**	**675.239**
VII. Cash and cash equivalents	**5.639.000**	**2.598.624**
TOTAL ASSETS	**49.275.967**	**48.513.387**
EQUITY AND LIABILITIES	31/12/2024	31/12/2023
A) EQUITY	**18.957.790**	**23.199.752**
A-1) Shareholders' equity	**18.268.394**	**22.569.909**
I. Capital	**1.016.462**	**851.585**
II. Share premium	**31.045.346**	**24.231.301**
III. Reserves	**(138.883)**	**208.198**
IV. (Treasury stock and shares)	**(341.646)**	**(393.977)**
V. Results from previous years	**(2.327.198)**	**0**
Result for the year	**(12.380.247)**	**(2.327.198)**
VI. Other	**1.394.560**	
A-3) Grants, donations and legacies received	**689.397**	**629.843**
B) NON-CURRENT LIABILITIES	**3.472.266**	**3.258.245**
I. Non-current provisions	**1.872.463**	**36.904**
II. Non-current debt	**905.151**	**3.011.394**
2. Debt with financial institutions	905.151	2.927.486
3. Financial lease creditors	0	83.908
IV. Deferred tax liabilities	**694.652**	**209.947**
C) CURRENT LIABILITIES	**26.845.911**	**22.055.390**
II. Short term provision	**90.350**	**288.168**
III. Current debt	**11.404.024**	**10.162.350**
2. Debts with financial institutions	9.171.315	8.603.348
3. Financial lease creditors	83.908	92.287
5. Other financial liabilities	2.148.801	1.466.715
V. Trade and other payables	**14.619.389**	**10.473.071**
1. Suppliers	6.178.307	3.640.986
2. Suppliers, group companies and associated	421.404	175.828
3. Other creditors	3.570.556	5.478.887
4. Other payables	1.809.312	620.918
6. Other debts with Public Administration	2.622.562	556.453
7. Customer advances	17.248	0
VI. Short term accruals	**732.148**	**1.131.801**
TOTAL EQUITY AND LIABILITIES	**49.275.967**	**48.513.387**

The attached report forms an inseparable part of the Balance Sheet as at 31 December 2024.

Standalone Profit and loss account 31st December 2024 (In Euros)		
	(Debits) Credits	
	31/12/2024	31/12/2023
A) CONTINUED OPERATIONS		
1. Net Revenue	**27.655.547**	**24.104.918**
b) Services provided	27.655.547	24.104.918
3. Work undertaken by the Company on its own assets	**4.584.481**	**4.170.850**
4. Supplies	**(7.226.801)**	**(5.033.366)**
a) Consumables	0	0
c) Work undertaken by third party companies	(7.226.801)	(5.033.366)
5. Other operating income	**3.257.737**	**176.256**
a) Other income and other current income	3.217.490	64.874
b) Subsidies	40.247	111.382
6. Staff expenses	**(15.430.877)**	**(10.829.423)**
a) Salaries, remunerations and similar expenses	(13.085.946)	(8.924.369)
b) Social contributions	(2.344.931)	(1.903.580)
c) Provisions	0	(1.475)
7. Other operating expenses	**(12.596.642)**	**(11.573.096)**
a) External services	(12.277.296)	(10.303.732)
b) Taxes	(1.597)	(714)
d) Loss, impairment and variation in provisions for trade operations	(317.749)	(1.268.650)
8. Fixed assets depreciation	**(5.550.748)**	**(4.748.268)**
9. Allocation of grants related to non-financial fixed assets and other	**252.745**	**276.406**
11. Impairment losses and gains or losses on disposal of fixed assets	**2.784**	**3.420**
13. Other profit / loss	**(34.785)**	**41.469**
A.1) OPERATING PROFIT/ LOSS	**(5.086.559)**	**(3.410.834)**
14. Financial income	**602.800**	**311.103**
15. Financial expenses	**(1.519.978)**	**(1.708.200)**
b) From third party payables	(1.519.978)	(1.708.200)
16. Variations in the fair value of financial instruments	**0**	**(268.802)**
17. Exchange rate differences	**253.633**	**4.016**
18. Impairment losses and gains or losses on disposal of financial instruments	**(5.076.484)**	**0**
a) Impairment and losses	(5.076.484)	0
A.2) FINANCIAL PROFIT/ LOSS	**(5.740.029)**	**(1.661.883)**
A.3) PROFIT/ LOSS BEFORE TAX	**(10.826.588)**	**(5.072.718)**
24. Income tax	**(1.553.659)**	**2.745.520**
A.4) PROFIT/LOSS FROM CONTINUED OPERATIONS	**(12.380.247)**	**(2.327.198)**
A.5) PROFIT/LOSS FOR FINANCIAL YEAR	**(12.380.247)**	**(2.327.198)**

The attached report forms an inseparable part of the Income Statement as at 31 December 2024.

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED DECEMBER 31ST 2024

(In Euros)

A) STATEMENT OF RECOGNIZED INCOME AND EXPENSES

	Notas de la memoria	31/12/2024	31/12/2023
A) RESULT OF THE INCOME STATEMENT		**(12.380.247)**	**(2.327.198)**
INCOME AND EXPENSES DIRECTLY ATTRIBUTED TO EQUITY			
III. Grants, donations, and bequests received	11.2	137.621	878.367
VII. Tax Effect	13.4	(34.405)	(218.842)
B) TOTAL INCOME AND EXPENSES DIRECTLY ATTRIBUTED TO EQUITY (I + II + III + IV + V + VI + VII)		**103.216**	**659.525**
TRANSFERS TO THE INCOME STATEMENT			
X. Grants, donations, and bequests received	11.2	(252.745)	(276.406)
XIII. Tax effect	13.4	63.186	69.102
C) TOTAL TRANSFERS TO THE INCOME STATEMENT (VIII + IX + X + XI + XII + XIII)		**(189.559)**	**(207.305)**
TOTAL INCOME AND EXPENSES RECOGNIZED (A + B + C)		**(12.466.590)**	**(1.874.978)**

B) Statement of Total Changes in Consolidated Equity for the period ended December 31, 2024

in Euros

	Capital	Share premium	Other reserves of the Parent Company: Other reserves	Other reserves of the Parent Company: Other equity instruments	Other reserves of the Parent Company: (Own shares)	Reserves in consolidated: By global integration	Attributable profit for the year	Grants, donations, and bequests	TOTAL
Opening balance as of 01/01/2023	**697.311**	**15.560.800**	**108.379**		**(454.079)**	**(1.841.328)**	**2.052.553**	**177.622**	**16.301.259**
I. Total consolidated recognized income and expenses							(2.327.198)	452.221	(1.874.978)
II. Transactions with shareholders or owners									
1. Capital increases	154.274	7.745.721	(61.200)						7.838.795
2. Conversion of financial liabilities into equity		924.780							924.780
3. Transactions with treasury shares or equity interests of the Parent Company (net)			(50.206)		60.103				9.897
III. Other changes in equity			211.225			1.841.328	(2.052.553)		
Closing balance as of 12/31/2023	**851.585**	**24.231.301**	**208.198**		**(393.976)**		**(2.327.198)**	**629.843**	**23.199.753**
Opening balance as of 01/01/2024	**851.585**	**24.231.301**	**208.198**		**(393.976)**		**(2.327.198)**	**629.843**	**23.199.753**
I. Total consolidated recognized income and expenses							(12.380.247)	(67.271)	(12.320.692)
II. Transactions with shareholders or owners				1.394.560					
1. Capital increases	164.877	6.814.045	(21.975)						6.956.947
2. Transactions with treasury shares or equity interests of the Parent Company (net)			(118.778)		52.330				(66.448)
V. Other changes in equity			(206.328)			(2.327.198)	2.327.198	126.825	(206.328)
Closing balance as of 12/31/2024	**1.016.462**	**31.045.346**	**(138.883)**	**1.394.560**	**(341.646)**	**(2.327.198)**	**(12.380.247)**	**689.397**	**18.957.792**

The attached report forms an inseparable part of the Statement of Changes in Net Equity as at 31 of December 2024.

CONSOLIDATED CASH FLOW STATEMENTS CORRESPODING TO PERIOD ENDING IN DECEMBER 31 2024 (in Euros)	31/12/2024	31/12/2023
A) Cash Flows from Operating Activities		
1. Profit for the year before taxes	**(10.826.588)**	**(5.072.718)**
2. Adjustments to profit:	**11.352.994**	**7.114.228**
a) Depreciation of fixed assets (+)	5.550.748	4.748.268
b) Impairment adjustments (+/-)	5.394.232	1.268.650
c) Change in provisions (+/-)	-	(288.168)
d) Recognition of grants (-)	(252.745)	(276.406)
e) Profit or loss from disposals and sales of fixed assets (+/-)	(2.784)	0
g) Financial income (-)	(602.800)	(311.103)
h) Financial expenses (+)	1.519.976	1.708.200
i) Exchange rate differences (+/-)	(253.633)	(4.016)
j) Fair value changes in financial instruments (+/-)	0	268.802
3. Changes in working capital:	**2.860.237**	**1.369.049**
b) Debtors and other receivables (+/-)	(1.850.476)	(4.923.531)
c) Other current assets (+/-)	29.922	(220.068)
d) Creditors and other payables (+/-)	5.080.444	5.725.567
e) Other current liabilities (+/-)	(399.653)	787.081
4. Other cash flows from operating activities:	**(1.081.095)**	**(495.097)**
a) Interest payments (-)	(1.519.976)	(806.200)
c) Interest receipts (+)	0	311.103
d) Payments (receipts) for income taxes (+/-)	438.881	0
5. Cash flows from operating activities (+/-1 +/-2 +/-3 +/-4)	**2.305.549**	**2.915.461**
B) Cash Flows from Investing Activities		
6. Payments for investments (-):	**(6.828.855)**	**(12.478.748)**
a) Group and associated companies	(1.613.725)	0
b) Intangible assets	(5.006.013)	(2.640.180)
c) Tangible fixed assets	(193.193)	(8.336.148)
e) Other financial assets	0	(1.502.420)
g) Other assets	(15.924)	0
7. Receipts from divestments (+):	**2.784**	**54.962**
c) Tangible fixed assets	2.784	54.962
8. Cash flows from investing activities (7-6)	**(6.826.070)**	**(12.423.785)**
C) Cash Flows from Financing Activities		
9. Receipts and payments from equity instruments:	**8.284.552**	**7.960.102**
a) Issuance of equity instruments	8.351.000	7.900.000
c) Acquisition of own equity instruments	(380.539)	(450.744)
d) Disposal of own equity instruments	314.091	510.846
10. Receipts and payments from financial liability instruments:	**(723.656)**	**2.231.055**
a) Issuance		
2. Debts with credit institutions (+)	0	5.235.888
4. Others (+)	823.000	500.000
b) Repayment and redemption of:		
2. Debts with credit institutions (-)	(1.546.655)	(1.273.715)
4. Others (+)	0	(2.231.118)
11. Payments for dividends and remuneration of other equity instruments	**0**	**0**
12. Cash flows from financing activities (+/-9+/-10-11)	**7.560.897**	**10.191.157**
D) Effect of changes in exchange rates	**0**	**4.016**
E) Net increase / decrease in cash and cash equivalents (+/-A +/-B +/-C +/-D)	**3.040.376**	**686.847**
Cash and cash equivalents at the beginning of the year	2.598.624	1.911.776
Cash and cash equivalents at the end of the year	5.639.000	2.598.624

The attached report forms an inseparable part of the Cash Flow Statement as at 31 December 2024.

REPORT ON THE ANNUAL FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2024

NOTE 1: NATURE AND MAIN ACTIVITIES

a) Nature and main activities

FACEPHI BIOMETRIA S.A. (hereinafter the Company) was incorporated for an indefinite period on 26 September 2012 before the notary public Ignacio J. Torres López. Its registered address is Avenida Perfecto Palacio de la Fuente, 6 Edif. Panoramis, Alicante, Spain.

According the Articles of Association, its corporate purpose is the following:

- Research, development and marketing of all kinds of information technology material: hardware, software and electrical appliances.
- Online sales by the Internet and/or similar distribution channels, import, export, representation, marketing, distribution, dealership, wholesale and retail sale, assembly, handling, manufacture and provision of related hardware, software services on physical support and through the sale of licenses for use, electronic products and components, electrical home appliances and telecommunications.
- Performance of Internet-based activities and provision of information and training services.
- Development, construction, acquisition, conveyancing, representation, leasing (except financial leasing), subleasing, installation or direct or indirect operation of consultancy services, urban land management, administration, custody and management of all kinds of real property, plots classified in any zoning category, buildings, single-family dwellings, apartments, condominiums, sports fields, residential buildings, premises and industrial or business facilities, hospitality establishments. All the above furnished or unfurnished, acting on its own behalf or that of third parties and with property of public and private ownership.

Currently, the main activity of FacePhi Biometría S.A. (hereinafter *FacePhi* or the *Company*) consists of marketing and implementation of biometric facial recognition software developed by the Company itself and classified in category 845 of the National Classification of Economic Activities (CNAE).

The Company has been listed on BME Growth in the expanding enterprise segment since 1 July 2014 and on Euronext Growth in Paris since 25 February 2020.

Therefore, the Company is subject to the control and supervision regime provided for under Regulation (EU) 596/2014 on market abuse, the text of the Securities Market Act approved by Royal Legislative Decree 4/2015 of 23 October and concordant provisions and by the Circulars issued by BME Growth.

b) Composition of the Group

In accordance with the information provided in Note 8, the Company is the controlling interest of the Facephi Group (hereinafter the *Group*).

In accordance with the provisions of Royal Decree 1159/2010 of 17 September that adopts the rules for drafting consolidated annual financial statements, the Company's governing body drew up the Group's Consolidated Annual Financial Statements for the financial year ended on 31 December 2024 on 31 March 2025. Once approved by the General Meeting, these Financial Statements will be registered with the Companies Registry of Alicante.

Notes 8 and 16.b of this Report contain information related to balances and transactions with the various Group companies and other related parties in accordance with currently applicable commercial legislation.

c) Business combinations

On 20 April 2020 the purchase agreement for acquisition of 100% of the share capital of the trading company Ecertic Digital Solutions, S.L. – until then a technology supplier – was executed for the sum of two million euros. Company management considers that this transaction achieves the strategic objective of boosting the digital on-boarding service in its commercial portfolio and consolidating its leadership in the field of identification and authentication at both the domestic and the international levels. The transaction was settled by cash for the sum of 1,159,999 euros and provision of 164,706 of the Company's treasury shares for 840,001 euros, the fair value of the transferred shares.

The agreed acquisition price entails the existence of an implicit goodwill fund amounting to 1,627,194 euros as at 31 December 2020 attributed to the technology provided by said company for development of the digital on-boarding solutions that the Company markets at the present time and is recognised, with its associated amortisation, on the Balance Sheet under the head of "Information Technology Applications" in the intangible assets account.

The merger agreements signed on 2 November 2021 and the project issued by the governing bodies of the absorbing company FACEPHI BIOMETRÍA, S.A. and the absorbed entity ECERTIC DIGITAL SOLUTIONS, S.L. were executed and notarised on 3 March 2022 with the applicable content and requirements laid down for this purpose in articles 30 and 31 of Act 3/2009 of 3 April on structural changes to trading companies.

The governing bodies of the two companies approved the merger transaction in accordance with the project on 9 November 2021. The absorbed company was acquired and liquidated by universal succession of its assets and the respective merger Balance Sheets as at 30 September 2021 were also approved. The effective carrying date of the absorbed company's transaction was 1 January 2022.

In compliance with Article 51 of the Structural Changes Act, it was not necessary to seek approval of the merger from the General Meeting of the absorbed company since the absorbing company was the direct owner of 100% of the share capital of the absorbed limited liability company.

d) Consortiums and joint ventures

In the 2024 and 2023 financial years the Company formed part of *UTE DH Healthcare Provider Software Spain, S.L.U – Facephi Biometría, S.A.* with a 21.08% holding in the consortium domiciled in Madrid that was incorporated to execute the object of the contract awarded by the Directorate of the National Institute of Health Management (INGESA) for installation and integration of a master system for hospital patients with biometric identification for the Melilla District Hospital, the Ceuta University Hospital and the Ceuta and Melilla primary attention system.

The estimated value of the contract is 711,490 euros and the execution period, starting in December 2021 is 38 months. In the financial year 2024, the activity has started, the integration entry as at 31 December 2024 being in accordance with the following percentage shareholding:

	Euro	
Heads	**Debit**	**Credit**
Trade debtors and other accounts receivable	110.909	
Receivables from public authorities	477	
Other	1.789	
Treasury	340	
Procurements	110.090	
Bank commissions	76	
Professional services	809	
Interest on debts	3	
Sales for services rendered		110.767
Trade payables		110.662
Shares or stocks		3.063
Total	**224.493**	**224.493**

In addition, the elimination of supplies (expenses) and trade payables (liabilities) has been recorded in the amount of 110,090 euros for reciprocal balances with the Company.

NOTE 2: FINANCIAL STATEMENTS REPORTING CRITERIA

a) Regulatory framework of financial reporting applicable to the Company

These Annual Financial Statements have been prepared by the Board of Directors in accordance with the regulatory framework for financial reporting applicable to the Company as set forth in:

- The Commercial Code and other applicable commercial legislation.
- The Consolidated Text of the Corporate Enterprises Act.

- Royal Decree 1514/2007 of 16 November that adopts the General Accounting Plan and its subsequent modifications incorporated by Royal Decrees 1159/2010 of 17 September, 602/2016 of 17 December and 1/2021 of 12 January, as well as the last of these by Act 7/2024 of 20 December.
- The mandatory standards adopted by the Accounting and Auditing Institute in development of the General Accounting Plan and its complementary standards.
- All other applicable Spanish accounting regulations.

b) True and fair image

The attached Annual Financial Statements have been prepared based on the Company's accounting records and are presented in accordance with the regulatory framework for financial reporting applicable to the same, and particularly to the accounting principles and criteria contained therein. Thus, they reflect a true and fair view of the equity, financial situation, outcome of the Company's operations and the related cash flows produced during the 2024 financial year. The Cash Flow Statement has been drawn up to truthfully report on the origin and use of the Company's monetary assets representing cash and cash equivalents.

These Annual Financial Statements are drawn up in euros, which is both the Company's reporting and its operating currency. The figures in this Report – even the calculated amounts – are rounded to the nearest whole number without including the decimals.

There are no exceptional reasons why accounting-related legal provisions have not been applied to show the true and fair view.

These Annual Financial Statements, drawn up by the Company's Board of Directors, will be submitted to the Ordinary General Meeting for approval and are expected to be approved without reservations or amendments. The 2023 Financial Statements were approved by the Ordinary General Meeting held on 28 June 2024.

c) Non-mandatory accounting principles

No non-mandatory accounting principles have been applied. The Company's Board of Directors has also drawn up these Annual Financial Statements taking all the mandatory accounting principles and standards that have a significant effect on said the same into consideration. No mandatory accounting criterion has been ignored.

d) Critical aspects of the assessment and estimates of uncertainty

The Company's directors are responsible for the information set forth in these Annual Financial Statements.

The Company's directors and senior managers are required to make certain estimates and assumptions when drawing up the Annual Financial Statements that affect application of the regulations and valuation of assets, liabilities, revenues, expenses and commitments. These estimates and assumptions are based on historical experience and other factors that are considered reasonable under the current circumstances.

The following is a breakdown of the aspects that have entailed a greater degree of judgement and complexity or those for which the hypothetical assumptions and estimation have been most significant during drafting of the Annual Financial Statements:

- *Provisions for impairment of investments in Group and related companies*: the accounting treatment of investments in Group and related companies entails making estimates at the end of each accounting period to determine whether their value has been impaired and whether a valuation restatement should be charged to the Income Statement for the period or whether a previously-posted provision should be reversed. Determining the need to recognise an impairment loss or reversal of the same, as required, involves making estimates that include analysis of the reasons for any impairment (or recovery, as required) of the value in addition to the timing and the amount involved, among others.

  The recoverable value of financial investments in Group and related companies is calculated in accordance with the content of Note 3.5.

  The uncertainties inherent in the estimates required to determine the recoverable value and assumptions concerning the future development of investments involve a significant degree of judgment due to the fact that the timing and nature of future business-related changes are difficult to foresee.

- *Impairment of non-current assets*: valuation of non-current assets other than financial assets requires making estimations to determine their recoverable value for the purposes of assessing their potential impairment. To determine this recoverable value, the Company's directors estimate the expected future cash flows of the assets or the cash-generating units of which they form part and use an appropriate discount rate to calculate the present value of said cash flows. The cash flows depend on fulfilment of the projections included in the Company's business plan for the next five financial years while the discount rates depend on the interest rate plus the risk premium (see note 3.3).

- *Deferred tax assets* are recognised for all deductible temporary differences, negative tax bases pending compensation and deductions pending application for which it is probable that the Company will have future taxable earnings that enable application of these assets. Taking the amounts and dates on which future taxable profits will be obtained and the reversal period of taxable temporary differences into account, the Company's directors must make significant estimates to determine the amount of deferred tax assets that can be recognised. At 31 December 2024, the Company has recognised deferred tax assets for a total amount of Euros 1.7 million (Euros 4.9 million at 31 December 2023) on the recognition of the R&D&I deduction for 80% of the value of the Binding Reasoned Report as the Company expects to request the monetisation of this amount. In 2023 it had also recognised tax loss carry forwards and deductions pending application, which were derecognised in 2024 (see note 13).

These estimates are based on the best information available for analysis as at 31 December 2024. Nevertheless, it is possible that future events may make it necessary to change them (upwards or downwards) in coming financial years. Said changes, if any, will always be made in a prospective manner in accordance with the provisions of Rule 22 of the General Accounting Plan, recognising the effects of any changes in the estimates in the associated Income Statement.

In 2024, the Company derecognised the deferred tax assets relating to tax loss carry forwards and deductions pending application in view of the losses of the last two years and as a matter of prudence, since the probability of their recoverability is subject to the achievement of the business plan, which involves estimates. However, the Company's management and Board of Directors expect to generate tax benefits in a very short period of time against which to apply these credits and deductions and therefore re-estimate the valuation of these in the balance sheet.

e) The Company as a going concern

At year-end, the Company has a turnover of EUR 27.7 million (EUR 24.1 million in 2023).

At year end, the Company has a negative profit before tax of Euros 10.8 million (negative Euros 5.1 million in 2023) which contains Euros 0.8 million of Extraordinary Expenses, mainly derived from non-recurring indemnities and bonuses, and Euros 5.4 million of Impairment mainly due to transactions related to subsidiaries (note 8) and to a lesser extent due to commercial transactions (note 9.1), so that subtracting these values, the result would amount to a negative amount of Euros 4.6 million.

The working capital at 31 December 2024 is positive by EUR 1.6 million (negative by EUR 4 million at 31 December 2023). However, it should be noted that this working capital is affected by convertible debt with the Company's main shareholder (note 12.4), which would increase it to a positive amount of 3.7 million euros.

The Net Financial Debt (excluding convertible debt already capitalised or in the process of being capitalised at the date of formulation) at 31 December 2024 was 4.6 million euros in 2024 compared to 10.1 million euros in 2023.
Equity amounted to 19.0 million euros compared to 23.2 million euros at the end of 2023.

On the basis of its strategic plan and budget for the financial year 2025, the Company's directors have drawn up a cash flow projection for the next 16 months, in which they have calculated a cash flow forecast for the following 16 months:

1. Budgeted Free Cash Flow, which assumes significant increases in revenues based on the Company's estimates, will be positive or around breakeven in the most

conservative scenario, as a result of the continued improvement in the cash conversion cycle.

2. With the mere renewal of the working capital facilities maturing in December 2025, even in the most conservative scenario of the Budget, the Company will not need additional funds to finance itself in the short term.

3.In this respect, the Company has already started discussions with the current banking pool of section 2 above, as well as with other entities, in order to establish an optimal financing structure. At the date of preparation of these annual accounts, no financing has yet been closed.

4. In 2025, the company will once again make use of the Tax Lease figure as a way of optimising its investment resources in R&D&I, as well as optimising the generation of cash and tax deductions. It is estimated that 0.7 million euros will enter in 2025 and 1.3 million euros in 2026.

5. In addition, the Company has recognised in 2024 the R&D&I deduction for 80% of the value of the MVI for the deductions of 2023 amounting to EUR 1.6 million, as it expects to apply for its monetisation with a tentative collection date between December 2025 or January 2026 (note 13.4).

6. It should also be noted that the debt balance of 2.1 million euros that the main shareholder (Nice&Green, S.A.) held as a loan at the end of 2024, 0.6 million euros have been capitalised in January 2025, and the remaining 1.5 million euros together with 0.5 million euros disbursed in January 2025 will be capitalised in the same year 2025 (Note 20).

7. In addition, the Company has the formal support and commitment of the main shareholder (NG) to contribute funds to the Company if necessary during the following year from the date of preparation of these annual accounts.

All these initiatives to strengthen the financial situation are included in the 2025 Budget, and have the knowledge and backing of the main shareholders, the Board of Directors and the commitment of the management team in their execution.

Based on the foregoing, the Directors of the Company have prepared these financial statements on a going concern basis.

f) *Comparison of information*

In addition to the figures for the 2024 financial year, for comparative purposes these Annual Financial Statements present, with each item on the Balance Sheet, the Income Statement, the Statement of Changes in Net Equity, the Cash Flow Statement and the quantitative information required in the notes to the Financial Statements for the 2023 financial year approved by the General Meeting.

The Management Report also contains comparative information from the previous year except when the accounting rules expressly state that it is not required.

g) *Changes in accounting criteria and correction of errors*

During the year ended 31 December 2024, the Company has not made any adjustments due to changes in accounting criteria with respect to the criteria applied in 2023. The Company has corrected errors from previous years by reducing reserves in the amount of 206,328 euros and increasing capital grants in the amount of 126,825 euros, which is not relevant for the restatement of previous year's figures.

NOTE 3: RECOGNITION AND VALUATION RULES

The Annual Financial Statements have been drawn up in accordance with the main valuation and classification rules set forth in the currently applicable General Accounting Plan.

The following are the most important accounting criteria applied to the Annual Financial Statements:

3.1)Intangible fixed assets

Assets entered under the head of intangible fixed assets are recognised at their acquisition price or production cost. Intangible fixed assets are reported at cost minus depreciation and, as appropriate, minus any accumulated value restatements due to impairment.

Intangible fixed assets are assets with a defined useful life and therefore must be written off over their useful economic life, defined as the time during which it is reasonably expected that the financial benefits inherent to the asset will produce returns for the company.

At all events, they must be analysed at least once a year to detect any indication of value impairment in order to restate their carrying value as required.

a) Software development expenses

The *development expenses* of the information technology applications that are subsequently marketed are capitalised at the time all the following conditions are met:

- there is a specific, individualised project that enables reliable assessment of the disbursement attributable to completion of the same;
- allocation, attribution and distribution over time of the costs of each project are clearly established;
- there are well-founded reasons for a technically successful conclusion to the project at all times, whether the Company intends to operate it directly or to sell resulting product to a third party if there is a market for the same once the project is concluded;
- the financial-commercial profitability of the project is reasonably assured;
- financing to complete the projects in question is reasonably well assured; in addition to the availability of suitable technical or other resources to complete

the project and to use or sell the intangible asset, financing to enable completion of the projects is reasonably assured;
- the Company intends to finish the intangible fixed asset in question in order to use or sell it.

Fulfilment of all the above conditions is verified over the entire period during which the project is developed. The amount capitalised is that applicable the moment all the aforesaid conditions are fulfilled.

Under no circumstances shall the disbursements initially recognised as expenses for the financial year and which have subsequently met the conditions set for capitalisation be activated.

Own personnel expenses and the costs of the services acquired from third parties that have participated in development of the applications and software are entered as increased costs of the same with payment under the head of *Work carried out by the Company for its Fixed Assets* in the Income Statement.

Other development costs are recognised as expenses when they are incurred. Development costs previously recognised as expenses are not restated as assets in subsequent years. In accordance with the conditions indicated above in this section, capitalised development costs are amortised on a straight-line basis during their estimated useful life – which shall not exceed five (5) years – for each project.

In the event of a change in the favourable project circumstances that enabled development expenses to be capitalised, the portion pending amortisation will be charged to income for the year in which said circumstances changed.

Estimates of impairment of intangible assets are based on calculation of the future cash flows derived from fulfilment of the business plan drawn up by Company management and updated at a market discount rate. Said plan supports the commercial success of capitalised development spending and the expectation that it will be recovered.

As at 31 December 2024 and 2023 the Company estimates that there is no indication of impairment of intangible assets since the directors are reasonably sure that the business plan will be fulfilled, which means that on the basis of their forecasts, all the intangible assets and tax credits will be fully recovered in the coming years.

b) Software

Computer program licenses acquired from third parties are capitalised on the basis of the costs incurred for acquisition of the programs and for configuring them for use in specific applications. These costs are written off over their estimated useful lives on a straight-line basis over a period of four (4) to six (6) years.

Expenses related to maintenance of computer programs are recognised as expenses when they are incurred. Costs directly related to the production of unique and identifiable computer programs controlled by the Company and which are likely to generate earnings in excess of costs for more than one year are recognised as intangible assets. Direct costs include the personnel costs of the software development and an appropriate percentage of overheads.

c) Intellectual property

Intellectual property is valued at its acquisition cost or that of the right to use or to assign the use of the various versions of the program provided that, due to the contractual monetary conditions, said assets are posted to the inventory of the acquiring company. Intellectual property includes but is not limited to: patents for inventions, utility model protection certificates, industrial design and other modalities consistent with the applicable legislation.

Intellectual property rights are valued at the acquisition price or production cost. The book value of development expenses capitalised at the time the associated patent or similar right is obtained – including the cost of registration and formalisation of the intellectual property – are recognised as such provided that the legal conditions required for registration in the appropriate registry are met and without prejudice to the amounts that could also be recognised for acquisition of the associated rights from third parties. Research expenses continue to be written off at the same rate and under no circumstances shall they be posted to the book value of the intellectual property. The useful life is estimated at between 3 and 20 years.

3.2 Tangible fixed assets

Property, plant and equipment are recognised at acquisition price or production cost minus accumulated depreciation and the accumulated cost of recognised impairment losses.

The costs of the extension, modernisation or improvement of tangible fixed assets are incorporated within the asset as an increase in its value only if they represent an increase in its capacity, productivity or an extension to its useful life, and wherever it is possible to calculate or estimate the book value of the elements cancelled from the inventory having been replaced.

Major repair costs are capitalised and written off over their estimated useful life. Recurring maintenance expenses are charged to the Income Statement for the year in which they are incurred.

With the exception of land, which is not depreciated, depreciation of property, plant and equipment is calculated on a straight-line basis depending on the nature of the asset and taking the wear and tear actually suffered due to its operation, use and enjoyment into account.

The following are the estimated depreciation data of the main items:

	Annual	Years of useful	Method
Buildings (*)	10%	10	Straight-line
Other facilities	10% - 20%	5 - 10	Straight-line
Furnishings	10% - 20%	5 - 10	Straight-line
I.T. equipment	13% - 25%	4 - 7	Straight-line
Other tangible fixed assets	10% - 20%	5 - 10	Straight-line

(*) 10 years taking the leasing period of the property into account.

The residual value and useful life of assets are reviewed and restated if necessary on the date of each Balance Sheet.

The value of an asset is immediately reduced to its recoverable amount whenever its book value is higher than its estimated recoverable amount.

Income and losses from the sale of property, plant and equipment are calculated by comparing the income obtained from the sale with the book value and are recorded in the Income Statement.

3.3 Impairment of non-financial assets

The directors assess whether there are indications of impairment of non-current assets at least at the close of each financial year. Their recoverable values are estimated if such evidence is found.

The recoverable amount is the fair value minus the cost of sale or the value in use, whichever is higher. A loss by impairment is recognised if the book value is higher than the recoverable amount. Value in use is the net present value of expected future cash flows using risk-free market interest rates adjusted for the specific risks associated with the asset. The recoverable value of assets that do not generate cash flows largely independent of those derived from other assets or groups of assets is determined by the cash-generating units to which said assets belong.

Valuation restatements for impairment and reversal of the same are recognised in the Income Statement. Except for those associated with goodwill, valuation restatements for impairment are reverted when the circumstances that gave rise to them cease to exist. Reversion of impairment is limited to the book value of the asset that would be applicable if the associated impairment had not been previously recognised.

The Company's directors have updated their five-year business plan that forms the basis on which a new impairment test for non-financial assets will be conducted.

3.4 Leases

Leases in which the Company assumes a significant proportion of the risks and benefits derived from ownership are classified as financial leases. Assets acquired by means of financial leasing are recognised in accordance with their nature at the fair value of the assets or the current value of the agreed minimum payments at the beginning of the lease, whichever is lower, and a financial liability is entered for the same amount. Leasing payments are distributed between financial expenses and reduction of liabilities. The assets are subject to the same amortization, impairment and write-off criteria as other assets of the same nature.

Leases in which the lessor retains a significant proportion of the risks and benefits derived from ownership are classified as operating leases. Operating lease payments (net of any incentives received from the lessor) are charged to the Income Statement for the financial year in which they accrue on a straight-line basis over the lease period.

3.5 Financial assets

Classification of financial instruments

Financial instruments are classified at the time of initial recognition as financial assets, financial liabilities or equity instruments depending on the definition of their financial nature in the contractual agreement and on the definitions of financial asset, financial liability or equity instrument.

The Company classifies financial instruments into one category or another depending on their characteristics and the governing body’s investment strategy at the time of initial recognition.

Compensation criteria

Financial assets and liabilities are subject to compensation only when the creditor has an enforceable right to compensate the amounts recognised and intends to settle the net amount or to simultaneously liquidate the asset and cancel the liability.

Assets at amortised cost

If the Company holds an investment solely for the purpose of receiving cash flows arising from execution of the contract and the contractual conditions of the financial asset entail cash flows that are exclusively payments of capital and interest on the outstanding principal on specific dates, the financial asset shall be recognised in said category even when it is listed for trade on an organised market.

As a general rule, this category includes debits for both trade and non-trade transactions:

a. Credits for trade transactions: these are financial assets that originate in the disposal of goods and provision of services for the Company’s trade transactions with deferred payment, and

b. Credits for non-trade transactions: these are financial assets which – not being equity instruments or derivatives do not originate in trade transactions and the collection of which is a specific or specifiable amount – arise from transactions involving loans or credits granted by the Company.

Initial valuation

Financial liabilities classified in this category are initially recognised at fair value which, unless there is evidence to the contrary, will be the transaction price which in turn is equal to the fair value of the consideration plus any transaction costs directly imputable to the liability in question.

Notwithstanding the above, credits for trade transactions with maturity at no more than one year that do not have a contractual interest rate, credits to personnel, dividends pending collection and demand disbursements on equity instruments may be valued at their face value when the effect of not updating the cash flows is not significant.

Subsequent valuation

Financial assets recognised in this category are valued at their amortised cost. Accrued interest is charged to the income statement on the basis of the effective interest rate method.

Nevertheless, credits with a maturity of no more than one year which – in accordance with the provisions of the above section are initially recognised at par – will continue to be valued at said amount unless they have been impaired.

The Company will consider whether an impairment loss should be recognised if the contractual cash flows of a financial asset change due to the issuer's financial difficulties.

Value impairment

The required valuation restatements must be made at least at the end of each financial year if there is objective evidence that the value of a financial asset or a group of financial assets with similar collectively-assessed risk characteristics has suffered impairment as a result of one or more events having occurred after their initial recognition and which cause a reduction or delay – that may be due to the debtor's insolvency – in the estimated future cash flows.

Losses due to value impairment of these financial assets shall be the difference between their book value and the net present value of their estimated future cash flows, including any flows originating in the estimated outcome of execution of real or personal guaranties, discounted at the effective interest rate at the time of initial recognition of the asset. The effective interest rate on the closing date of the Annual Financial Statements shall be used for financial assets with variable interest rates in accordance with the contractual conditions. Models based on statistical formulas or methods may be used to calculate impairment losses on a group of financial assets.

Impairment losses and reversal of the same shall be recognised as expenses or revenue respectively in the Consolidated Income Statement if the amount of such losses decreases for reasons related to a subsequent event. Reversal of the impairment is recognised as income and is limited to the book value of the financial asset that would be recognised on the reversal date if the impairment had not been posted.

Notwithstanding the above, provided there is a sufficiently reliable estimate of the recoverable amount, the Company may take the market value of instruments traded on an open market as a substitute for calculation of the present value of future cash flows.

Recognition of interest on financial assets with credit impairment will follow the general rules, without prejudice to the fact that at the same time the Company must assess whether said amount will be recovered and, if necessary, account for the associated impairment loss.

Financial assets carried at cost

The following securities shall be included in this category:

a) investments in the equity of group, multi-group and associated companies as defined in rule 13 on drafting of annual financial statements in the Spanish General Accounting Plan;

b) all other investments in equity instruments the fair value of which cannot be determined by reference to a quoted price on an active market for an identical instrument or cannot be estimated reliably and all derivatives for which said instruments are the underlying security;

c) hybrid financial assets the fair value of which cannot be reliably estimated unless the requirements for their recognition at amortised cost are met;

d) contributions made as a consequence of an equity account or similar contract;

e) equity loans the interest of which is contingent in nature, either because a fixed or variable interest rate is conditional upon the borrowing company achieving a milestone (for example, making a profit) or because said interest is calculated exclusively by reference to variations in the activity of the company in question.

f) all other financial assets that would initially be classified in the fair value portfolio with changes in the income statement when a reliable estimate of their fair value cannot be obtained.

<u>Initial valuation</u>

Investments in this category will be initially valued at cost, which will be equivalent to the fair value of the consideration paid plus the transaction costs directly attributable to them. In the case of transactions between Group companies, the applicable criteria set forth in section 2 of Recognition and Valuation rule 21 and the criteria for determining the cost of the combination set forth in the Business Combination rule of the General Accounting Plan must be applied.

Nevertheless, in the event of an investment made prior to classification of the entity as a group, multi-group or associate company, the cost of said investment will be considered to be its book value immediately before the company became a member of the group.

The value of any preferential subscription rights and any similar items acquired will form part of the initial valuation.

Subsequent valuation

Financial assets recognised in this category are valued at cost minus the accumulated amount of value restatements due to impairment, if any.

If a value is to be assigned to these assets due to deregistration from the balance sheet or any other reason, the weighted average cost method by homogeneous groups – understood as securities with equal rights – shall be applied.

The cost of preferential subscription and other similar rights will decrease the book value of the respective assets in the event of sale or separation of the same in order to exercise them. Said cost shall be determined by applying a generally-accepted valuation formula.

Payments made as a result of a joint venture or similar agreement will be valued at cost, increased or decreased by any profit or loss attributable to the company as a non-managing partner and minus any accumulated impairment valuations as required.

The same criteria shall be applied to equity loans the interest of which is contingent in nature, either because a fixed or variable interest rate conditional upon the borrowing company achieving a milestone (for example, making a profit) is agreed or because said interest is calculated exclusively by reference to variations in the activity of the company in question. If, in addition to contingent interest, an irrevocable fixed interest rate is agreed, the latter shall be entered as financial income as it accrues. The transaction costs shall be attributed to the income statement on a straight-line basis throughout the life of the equity loan.

Value impairment

The required valuation restatements must be made at least at the end of each financial year if there is objective evidence that the book value of an investment will not be recovered.

The amount of the valuation restatement will be the difference between its carrying value and the recoverable amount understood as the fair value minus cost of sale or the present value of the future cash flows from the investment, whichever is greater. In the case of equity instruments, the amount of the restatement shall be calculated either by estimating the expected cash flows as a result of allocation of dividends by the investee and disposal or write-off of the investment in the same or by estimating the Company's share of the cash flows expected to be generated by the investee from both its ordinary activities and from disposal or write-off of the same.

In the absence of better evidence of the recoverable amount of investments in equity instruments, the impairment loss estimate for this class of assets will be calculated on the basis of the equity of the investee and the tacit capital gains existing at the valuation date net of tax effect. Provided that the investee has invested in another company in turn, this value shall be calculated by taking the equity set forth in the consolidated financial statements into account and applying the criteria of the Commercial Code and its development rules.

If the investee is domiciled outside Spanish territory, the net equity to be taken into account will be annotated according to the rules set forth in the General Accounting Plan. However, if high inflation rates are involved, the values to be considered will be those resulting from the restated financial statements as set forth in the foreign currency rule.

As a general rule, the indirect equity-based estimation method may be used in cases where it can be applied to demonstrate a minimum recoverable amount without the need for a more complex analysis when it can be inferred that no impairment has occurred.

Recognition of value impairment restatements and their reversal, if any, will be entered respectively as an expense or as revenue in the Income Statement. Reversal of the impairment will be limited to the carrying value of the investment that would have been recognised on the reversal date if the impairment had not occurred.

However, in the event of an investment in the company prior to its classification as a group, multigroup or associate company, and if valuation restatements have been made directly attributable to the equity resulting from said investment prior to the aforesaid classification, these restatements shall be maintained after the classification until the investment is disposed of or written off – at which time they shall be recognised in the Income Statement – or until the following circumstances occur:

a) In the case of prior valuation restatements for increases in value, valuation impairment restatements will be entered against the item of equity that includes the previously-made valuation restatements up to the amount of the same and the excess, if any, will be recognised in the Income Statement. Value impairment restatements imputed directly to Net Equity shall not be reversed.

b) In the case of prior valuation restatements due to write-downs that result in a recoverable amount greater than the carrying value of the investments, the latter will be increased up to the limit of the write-down against the item to which the valuation restatements were imputed. From that point on the resulting balance will be considered to constitute the cost of the investment. However, in the event of objective evidence of impairment in the value of the investment, the losses accumulated directly in net equity will be recognised in the Income Statement.

Interest and dividends

Interest and dividends from financial assets accrued after acquisition are recognised as earnings in the Income Statement. Interest from financial assets valued at amortised cost must be recognised on the basis of the effective interest rate method, and dividends when they are allocated to the shareholder entitled to receive them.

For these purposes, taking into account the maturity of the financial assets, the sum of the explicit interest accrued and not due at that moment and the sum of the dividends agreed by the competent body up to the time of acquisition are independently recognised in the initial valuation of said assets. *Explicit interest rate* is understood to mean that obtained by applying the contractual interest rate of the financial instrument.

Accordingly, if the allocated dividends are derived unmistakably from results generated prior to the acquisition date because amounts greater than the profit generated by the investee company since it was acquired, they shall not be recognised as income and the book value of the investment will be reduced.

The judgment as to whether the investee has generated profit will be based exclusively on the profits recognised in the individual Income Statement as of the acquisition date, unless the allocation against said profits is to be unquestionably classified as recovery of the investment from the perspective of the entity receiving the dividend.

Deregistration of financial assets

The Company will write off a financial asset, or part of it, when the contractual rights to the cash flows of the financial asset expire or have been assigned. For this to happen, the risks and benefits inherent in ownership of the asset must have been substantially transferred. Said risks and benefits are assessed by comparing the exposure of the Company to variation in the amounts and timing of the net cash flows of the assigned asset before and after transfer of the same. The risks and benefits of ownership of the financial asset shall be understood to have been substantially assigned when their exposure to said variation is no longer significant with respect to the total variation in the present value of the future net cash flows associated with the financial asset.

If the Company has not substantially assigned or retained the risks and benefits of ownership, the financial asset will be deregistered when the Company has failed to retain control of it. Occurrence of this circumstance will depend on the capacity of the transferee to unilaterally transfer the entire asset to an unrelated third party without imposing conditions. The transferring company will continue to recognise the transferred asset for the amount to which the Company is exposed to variations in the value of the same (i.e. the company is still involved with the asset) and will recognise an associated liability if the former retains control of it.

The gain or loss arising from derecognition when the financial asset is written off forms part of the revenue for the year in which it occurs and is determined by the difference between the consideration received net of any attributable transaction costs, taking any new asset acquired minus any liability assumed and the book value of the financial asset plus any accumulated earnings already recognised directly in equity into account.

The above criteria shall also be applied to transfers of a group of financial assets or a part of the same.

3.6 Financial liabilities

Financial liabilities are classified into the following valuation categories: amortised cost financial liabilities and fair value financial liabilities with changes in the Income Statement.

Financial liabilities measured at amortised cost

The Company classifies all financial liabilities in this category except when they must be valuated at fair value with changes in the Income Statement.

As a general rule, this category includes debits for both trade and non-trade transactions:

a) Debits for trade transactions: these are financial liabilities that originate in acquisition of goods and services for the company's trade transactions with deferred payment, and

b) Debits for non-trade transactions: these are financial liabilities which – not being derivative instruments – do not originate in trade transactions but in transactions involving loans or credits received by the company.

<u>Initial valuation</u>

Financial liabilities classified in this category are initially recognised at fair value which, unless there is evidence to the contrary, will be the transaction price which in turn is equal to the fair value of the consideration plus any transaction costs directly imputable to the liability in question.

Notwithstanding the above, debits for trade transactions with maturity at no more than one year that do not have a contractual interest rate and disbursements required by third parties on holdings the amount of which is expected to be paid in the short term, may be valued at their face value when the effect of not updating cash flows is negligible.

<u>Subsequent valuation</u>

This category of financial liabilities is valued at amortised cost. Accrued interest is charged to the Income Statement on the basis of the effective interest rate method.

Nevertheless, debits with a maturity of no more than one year which – in accordance with the provisions of the above section are initially recognised at face value – will continue to be valued at said amount.

Deregistration and modification of financial liabilities

The Company will deregister a financial liability, or part of it, when the associated obligation has extinguished; i.e., when it has been settled, cancelled, or has expired. It will also write off any of its own financial liabilities that it may acquire even when the intention is to reallocate them in the future.

The difference between the book value of the financial liability – or the part of it that has been written off – and the consideration paid including directly-attributable transaction costs that also include any assigned asset different from the cash or liability assumed, is recognised in the Income Statement for the financial year in which it occurs.

3.7 Net equity

The share capital is represented by ordinary shares. Incremental costs directly attributable to the issuance of new shares or options are reported in net equity as a deduction, net of taxes, from the amounts obtained.

a) Own equity instruments held by the Company (treasury shares)

Acquisition of equity instruments by the Company is recognised separately at the acquisition cost as a reduction of the equity on the Balance Sheet. No result is recognised in the Income Statement for transactions capitalised with treasury stock.

Transaction costs related to treasury stock are recorded as a reduction in reserves once any tax effect has been considered.

b) Capital increases by issuance of options convertible into own equity instruments

The Company used, until its last conversion in January 2024, the stock option issuance method (equity warrants (EW)) in order to obtain financing for its expansion plans. A financial derivative is created if the fixed-for-fixed swap rule is not observed in accordance with the conditions of the options issue. The fixed-for-fixed swap rule is met if the only possible settlement of the instrument is by delivery of a fixed number of treasury shares for a fixed price.

Since the financial derivative created is not considered to constitute a hedging instrument, it is recognised at its fair value in the Income Statement at its valuation date at each accounting closure date.

The fair value of the derivative is determined using option pricing models that take the life of the option, the market price of the underlying assets, the expected volatility of the shares and the risk-free interest rate during the life of the option into account.

Variations in the fair value of the derivative during its life (that is, from the date of signature to exercise of the option), are recognised in the consolidated financial statements as a financial cost/revenue. The derivative is written off the balance sheet on the conversion date of the options into shares and the cash received for the conversion – plus/minus the accumulated fair value of the derivative until that moment – is charged to capital and reserves (capital plus issue premium).

3.8 Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand bank deposits with credit institutions. Other highly-liquid short-term investments are also included under this head provided that they are easily convertible into specified amounts of cash and that their time to maturity does not exceed three months.

The Company reports payments and receipts from high-turnover financial assets and liabilities for their net value in the Cash Flow Statement. For these purposes, the rotation period is considered high when the period between the acquisition and the expiration dates does not exceed six months.

3.9 Classification of assets and liabilities as current or non-current

Assets and liabilities reported on the Balance Sheet are classified into current or non-current. For these purposes, current assets or liabilities are those that meet the following criteria.

- Assets are classified as current when they are expected to be capitalised, are held for sale or consumption in the course of the Company's normal operating cycle, are held fundamentally for trading purposes, are expected to be capitalised within the twelve months following the accounting closure date or are composed of cash and cash equivalents except in cases where they cannot be exchanged or used to settle a liability within at least the twelve months following the closure date.

- Liabilities are classified as current when they are expected to be settled within the Company's normal operating cycle, are held primarily for trade, must be settled within twelve months of the closure date or there is no unconditional right to postpone cancellation of the liabilities during the twelve months following the closure date.

- Financial liabilities are classified as current when they must be settled within the twelve months following the closure date even if the original term is for a longer period and there is a refinancing or restructuring agreement for long-term payments that has concluded after the closure date and before the Annual Financial Statements are drawn up.

All other assets and liabilities that fail to meet the conditions set forth above are classified as "non-current".

3.10 Subsidies, donations and bequests

Reimbursable grants are recognised as liabilities until they meet the conditions to be considered non-reimbursable, while non-reimbursable subsidies are recognised directly in net equity as income on a systematic, rational basis in a manner correlated with expenses deriving from the subsidy. Non-refundable grants received from partners are recognised directly in capital and reserves.

For these purposes, a grant is considered non-refundable when there is an individualised agreement to grant the subsidy, all the conditions established for its award have been met and there are no reasonable doubts that it will be collected.

Monetary grants are valued at the fair value of the amount granted and non-monetary grants at the fair value of the asset received. These values are referenced to the recognition date.

Non-refundable grants related to the acquisition of intangible fixed assets, property, plant and equipment and real estate investments are charged as income for the year in proportion to the amortisation of the associated assets or, as appropriate, when they are disposed of, their value is restated due to impairment or they are written off the Balance Sheet. Non-refundable grants related to specific expenses and those granted to compensate for the operating deficit in the financial year in which they are granted are recognised in the Income Statement in the same year in which the associated expenses are accrued, except when they are used to compensate for operating deficits in future financial years, in which case they are allocated in said years.

3.11 Corporation tax

The corporation tax expense or revenue on the outcome of the financial year is the sum of the current tax – calculated by applying the tax rate to the taxable base for the financial year – minus any rebates and deductions and the variations produced in the deferred tax assets and liabilities recognised during the financial year in question. Corporation tax is recognised in the Income statement except when it refers to transactions recognised directly in Net Equity, in which case the associated tax is also recognised in Net Equity.

The expense or revenue for deferred tax corresponds to recognition or cancellation of deferred tax assets or liabilities. Deferred tax assets and liabilities include temporary differences – identified as amounts that are expected to be payable or recoverable due to differences between the carrying amounts of assets and liabilities and their tax value – and any outstanding negative tax bases and credits for tax deductions not fiscally applied. These amounts are recognised by applying the tax rate at which it is expected to recover or settle them to the associated temporary difference or credit.

Deferred tax liabilities are recognised for all taxable temporary differences except those derived from initial recognition of goodwill or other assets and liabilities in a transaction that does not affect fiscal or accounting outcomes and is not a business combination including those associated with investment in subsidiaries, group and associated companies and joint ventures in which the Company can control the reversion timeframe and when reversion in the foreseeable future is improbable.

Deferred tax assets, on the other hand, are only recognised to the extent that it is considered probable that the Company will have future taxable profits against which the deferred asset can be used.

Deferred tax assets recognised are reconsidered on each accounting closure and the appropriate restatements are made if there are doubts about their future recoverability. Accordingly, at each accounting closure the deferred tax assets not recognised on the Balance Sheet are assessed and entered to the extent that there is a reasonable expectation that they will be recovered by application of future tax benefits.

Deferred tax assets and liabilities are not discounted and are classified as non-current assets and liabilities.

3.12 Employee benefits

a) Severance payments

Severance payments are paid to employees as a result of the Company's decision to terminate their employment contracts before the normal retirement age. The Company recognises these benefits when a demonstrable commitment has been made to dismiss workers in accordance with a detailed regulatory plan of mandatory compliance. Benefits that will not be paid during the twelve months following the balance sheet date are discounted to their current value.

b) Exclusivity clause

The Company has entered into various employment contracts that include exclusivity clauses. The directors deem that the circumstances do no warrant recognition of an associated liability or expense since the probability of occurrence is negligible.

3.13 Transactions with payments based on equity instruments

Transactions which, in exchange for receiving goods or services including services provided by employees, are settled by the Company using its own equity instruments or with an amount based on the value of its own equity instruments (such as share options or share appreciation rights) are considered to constitute payments based on equity instruments.

Recognition

On the one hand, the Company will recognise goods or services received as assets or as expenses depending on their nature at the time of receipt and on the other, the associated increase in equity if the transaction is settled using equity instruments or the associated liability if the transaction is settled with a sum based on the value of equity instruments.

If the Company can choose between making the payment with equity instruments or in cash, it shall recognise a liability to the extent to which it has incurred a present obligation to settle in cash or with other assets. Otherwise, it will recognise an entry in Net Equity. If it is the goods or services supplier that exercises the option, the Company will recognise a compound financial instrument that will include a liability component due to the other party's right to demand payment in cash and a net equity component due to the holder's right to receive remuneration with equity instruments.

Transactions that require provision of services for a certain period will be recognised as these services are provided throughout said period.

Valuation

Transactions with employees settled using equity instruments will be recognised on the date of the agreement to grant said instruments. Both the services rendered and the increase in equity to be recognised shall be valued at the fair value of the equity instruments so assigned.

Transactions settled with equity instruments the consideration of which consists of goods or services other than those provided by employees will be valued at the fair value of the goods or services on the date they are received provided that said value can be reliably estimated. If the fair value of the goods or services received cannot be reliably estimated, the goods or services received and the increase in Net Equity will be valued at the fair value of the equity instruments assigned on the date on which the Company obtains the goods or the other party provides the services.

Pursuant to the provisions of the preceding paragraphs, no additional restatements will be made to net equity after the vesting date once the goods and services received and the associated increase in net equity have been recognised.

The goods or services received and the liability to be recognised in transactions settled in cash will be valued at the fair value of the liability on the date on which the requirements for their recognition are met.

Subsequently, the associated liability will be valued at fair value on the closing date of each financial year until settlement and any valuation change that occurs during the financial year will be charged to the income statement.

The Company's General Meeting held on 21 June 2022 approved the final stock option plan for directors, managers, employees and business partners. The aim of this plan is to achieve the Company's corporate objectives, control its processes, stimulate its expansion, improve its management, focus on optimising all aspects required to enhance its long-term value, align the interests of employees and shareholders and to ensure that Company's key employees are retained.

As of 31 December 2023 and 2022 the plan has not met any of its goals and therefore no provision has been recognised on the Balance Sheet at said date.

3.14 Provisions and contingencies

Provisions for environmental restoration, restructuring costs and litigation are recognised when the Company has a current obligation, whether legal or implicit, as a result of past events and it is likely that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions for future operating losses are not recognised.

Provisions are valued at the present value of the disbursements expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the specific risks of the obligation. Restatements of the provision as a result of updating are recognised as a financial expense as they accrue.

Provisions with maturities of less than or equal to one year, with an insignificant financial effect, are not discounted.

When it is expected that part of the disbursement required to settle the provision will be reimbursed by a third party, the reimbursement is recognised as an independent asset provided collection is practically ensured.

Contingent liabilities are considered to constitute obligations arising as a result of past events the materialisation of which is conditional upon the occurrence or not of one or more future events independent of the Company's intentions.

These contingent liabilities are not entered to the accounts but are set forth in the management report.

3.15 Business combinations

Business combinations are considered to consist of transactions in which a company gains control of one or more undertakings, understood as an integrated group of activities and assets that can be managed to provide earnings or to lower costs or provide other benefits to the owners.

The merger, spin-off and non-monetary contribution transactions of a business between Group companies are recognised by valuing the equity instrument acquired at their book values in the consolidated annual financial statements of the last Spanish parent company on the date on which the transaction was performed. If Consolidated Annual Financial Statements are not drawn up, these transactions are assessed at the values existing prior to the transaction recognised in the individual Annual Financial Statements of the investor. Any differences that may arise are entered against reserves. The effective accounting date is the start date of the financial year in which the transaction is approved.

Merger or spin-off transactions other than the above and business combinations arising from the acquisition of all the equity components of an undertaking or of a party that constitutes one or more businesses, are recognised by valuing the acquired equity components in accordance with the acquisition method. This means that these assets and liabilities will be valued as a general rule at their fair value on the date of the transaction provided that this can be reliably measured and, as required, the difference between the cost of the business combination and the value of said assets and liabilities will be entered as goodwill if it is positive or as income in the Income Statement if it is negative. The acquisition date is the date on which the acquiring company gains control of the target enterprise or enterprises.

3.16 Recognition of revenue from the provision of services

Operating revenue derived from contracts with customers are posted at the time transfer of control of the goods and services committed to said customers occurs. Control of goods or services refers to the ability to fully decide on the use of the item involved and to substantially obtain all its remaining benefits.

A process consisting of the following stages is implemented to apply this criterion:

- Identification of the contract with the customer.
- Identification of the contractual obligation to be met.
- Determination of the transaction price.
- Allocation of the transaction price to the obligations to be fulfilled based on the sale price of each good or service or by estimating the sale price when it cannot be otherwise ascertained.
- Recognition of the revenue from ordinary activities at the time the Company fulfils each acquired commitment.

Income from the sale of goods or services is recognised at the fair value of the consideration received or to be received deriving from the same. Discounts for prompt payment, volume or other kinds of discount and interest added to the face value of the loans are posted as a reduction thereof. Notwithstanding the above, the Company includes interest added to trade credits with maturity at no more than one year that do not have a contractual interest rate when the effect of not updating the cash flows is not significant.

The Company recognises the income when its amount can be reliably valued, it is probable that future economic benefits will be received by the same and the following specific conditions for each activity agreed with the customers have been met. The amount of the income cannot be reliably valued until all contingencies related to the sale have been resolved. The Company bases its estimates on historical results taking the type of customer, the kind of transaction and the specific terms of each agreement into account.

The Company recognises income derived from licensing of software for biometric facial recognition technology once all the risks and benefits of the product have been transferred to the purchaser and the conditions set forth in the above paragraph have been met. It is then charged to the Consolidated Income Statement on the basis of the licensing term, regardless of the licencing term which may be in perpetuity or for periods defined in the contract. Income from services not yet provided is represented in the Balance Sheet as short-term accruals.

Income from maintenance and support services is recognised on the basis of accrual of provision of the service.

3.16.1 Contract balances

a) Contract assets

Unconditional right to collect the consideration

Regardless of when transfer of control of the assets occurs, a collection right is recognised (*Clients for sales and provision of services* sub-head) under the head of *Trade debtors and other accounts payable* in current assets or *Non-current trade debts* in non-current assets, as appropriate, due to their maturity in accordance with their normal operating cycle when the Company has an unconditional right to the consideration.

Right to the consideration due to transfer of control

When control of a contract asset is transferred without having an unconditional right to invoice, the Company recognises a right to the consideration due to transfer of control. This right to the consideration due to transfer of control without having an unconditional right to invoice is cancelled when an unconditional right to receive the consideration arises. Notwithstanding, the asset will be tested for impairment at the end of the financial year in the same way as for other unconditional rights.

Like the unconditional rights, these balances are recognised in Trade debtors under the head of Clients. They are classified as current or non-current depending on their maturity The balance as of 31 December 2024 was 10,170,421 euros and 4,378,006 euros respectively (11,045,514 euros y 7,067,893 euros respectively as at 31 December 2023) (Note 9.1).

b) Contract liabilities

Contract liabilities

If the client pays the consideration or the Company has an unconditional right to receive it, the Company recognizes a contract liability before transferring the good or service to the client when payment has been made or is due.

These contract liabilities are presented under the head of *Trade creditors and other accounts payable* or provisions are made for trade operations (in Current Liabilities).

3.17 Transactions in foreign currency

Transactions in foreign currency are converted to the functional currency using the current exchange rates at the transaction date. Gains and losses in foreign currency resulting from settlement of these transactions and from conversion of the monetary assets and liabilities denominated in foreign currency at the spot rates at the close of the fiscal year are recognised in the Income Statement.

3.18 Balances and transactions with Group companies and other related parties

The Company performs all its transactions with related parties at market values. The transfer prices are properly substantiated and therefore the Company's governing body considers that there are no significant risks from which substantial liabilities may arise in the future due to these transactions.

This valuation rule affects related parties as defined in Rule 15 on preparation of Annual Financial Statements in the Spanish General Accounting Plan. Consequently:

a) A company is understood to form part of a group when the parent company and another entity are linked by a direct or indirect control relationship. An indirect relationship is held to be analogous to that provided for in article 42 of the Spanish Commercial Code or when the companies are controlled by any means by one or more natural or legal persons acting jointly or are under the same management by agreements or statutory clauses.

b) It is understood that a company is an associate of another when, without it being a group company in the sense indicated above, a dominant legal entity or natural person (person with significant control - PSC) exercise significant influence over said associated company due to possession of a holding in the same that creates a lasting connection intended to contribute to the activity of the controlling interest.

c) Multi-group companies are understood to mean entities jointly managed by the dominant company or by one or more group companies including the controlling legal or natural persons and one or more third parties that do not belong to the consolidation group.

The following are deemed to constitute parties related to Company in addition to group, associated and multi-group companies: natural persons who directly or indirectly hold a stake in the voting rights of the Company or of its subsidiaries in such a way that enables them to exercise significant influence over one or the other, close relatives of the same, Company’s key personnel including directors and executives together with their close relatives and legal persons over which the aforesaid persons may exercise significant influence.

3.19 Equity items of an environmental nature

Assets used on a long-term basis in Company's activities the main purpose of which is to prevent, reduce or repair the damage that its activities may cause to the environment are considered to constitute assets of an environmental nature. Expenses deriving from environmental activities are recognised as *Other operating expenses* during the financial year in which they are incurred.

The Company's directors consider that, as at 31 December 2024 and 2023, there are no contingencies of an environmental nature that could significantly affect the Company's equity, financial situation or consolidated outcomes and therefore no provisions or contingencies have been recognised under this head.

3.20) Consortiums

In accordance with Recognition and Valuation Rule 20 of the Spanish General Accounting Plan, the proportional part of the consortium's balances shall be accounted for in the Balance Sheet and Income Statement as a function of the percentage holding for integration and accounting recognition of transactions carried out with consortiums (UTE) of which the Company is a member to ensure that after the associated temporal and valuation homogenisation, all assets, liabilities, income and expenses are duly recorded and reported in the Annual Financial Statements in the appropriate proportion at the end of the financial year.

As indicated in note 1.d), the Company participates in a joint venture which commenced operations in 2024, and therefore at year-end 2024 the proportional part has been recognised in the financial statements in accordance with the percentage shareholding of the joint venture (see note 2.c).

NOTE 4. INTANGIBLE FIXED ASSETS

The following are the breakdown and movement of the items included under the head of *Intangible Fixed Assets*:

Cost:

	Euro								
Item	**Cost at 31.12.22**	**Additions**	**Cancellations**	**Transfers**	**Cost at 31.12.23**	**Additions**	**Cancellations**	**Transfers**	**Cost at 31.12.24**
Research	56.958	---	(56.958)	---	---	---	---	---	---
Development	717.861	4.558.153	---	(4.450.877)	825.136	4.936.212	(1.077.421)	12.083.246	16.767.173
Intellectual property	84.998	32.860	(8.648)	---	109.210	290	(10.029)	---	99.470
Software	12.157.820	3.745.136	(3.336.958)	4.496.987	17.062.984	69.511	(829.007)	(12.083.246)	4.220.242
Total cost	**13.017.637**	**8.336.148**	**(3.402.565)**	**46.110**	**17.997.331**	**5.006.013**	**(1.916.458)**	**---**	**21.086.885**

Amortisation:

		Euro							
Item	**Balance at 31.12.22**	**Provs. Fin. year.**	**Cancellations**	**Transfers**	**Balance as at 31.12.23**	**Provs. Fin. year**	**Cancellations**	**Transfers**	**Balance as at 31.12.24**
Research	56.958	---	(56.958)	---	---	---	---	---	---
Development	378.339	2.161.519	---	(2.390.564)	149.294	1.865.740	1.077.421	5.282.210	6.219.823
Intellectual property	24.980	24.511	(8.648)	---	40.843	13.446	10.029	---	44.259
Software	4.950.709	1.965.013	(3.336.958)	2.390.564	5.969.328	3.177.151	829.007	(5.282.210)	3.035.262
Total amortisation	**5.410.987**	**4.151.043**	**(3.402.565)**	**---**	**6.159.465**	**5.056.337**	**1.916.458**	**---**	**9.299.344**

Net book value:

	Euro	
Item	**Balance as at 31.12.24**	**Balance as at 31.12.23**
Research	---	---
Development	10.547.350	675.842
Intellectual property	55.211	68.367
Software	1.184.980	11.093.656
Total net value	**11.787.541**	**11.837.865**

The amount recognised as at 31 December 2023 has been transferred from Computer Applications to Development, as it was considered that product development and internal technology should be included under Development, with a cost value of 12,083,246 euros and accumulated amortisation of 5,282,210 euros.

a) Development

The Company continues to implement its investment policy and to improve its current facial biometric applications. The capitalised expenses during the financial year ended 31 December 2024 and 31 December 2023 are associated with the following milestones:

	Euro	
Description:	**31.12.2024**	**31.12.2023**
Improvements to software development kit (SDK)	4.346.523	3.676.988
Identity Platform	237.958	493.862
Total internal development	**4.584.481**	**4.170.850**
Development acquired from third parties	351.731	387.303
Total	**4.936.212**	**4.558.153**

Said expenses are recognised under the head of Development since there are good reasons to foresee commercial success on completion, at which time they are reclassified under the head of Intangible assets in accordance with their nature. If there were well-substantiated reasons to consider that the project will not be successful, the Company would write off these expenses and recognise them as losses in intangible fixed assets. Almost all the activity involved in development of new applications or improvements to current ones has been performed internally, except for the sum of 351,731 euros (387,303 euros in 2023) and recognised by capitalisation of production costs under the head of *Works performed by the Company for its own assets* in the Income Statement.

Developments activated as at 31 December 2024 and 31 December 2023 consisted mainly of anti-fraud security improvements, interactive user guides during registration and tools for integrating technology into multi-platform applications.

As at 31 December 2023 the sum of 4,450,877 euros (3,571,563 euros in 2022) was transferred to the *Software* account as a consequence of the start of marketing of the facial biometric improvements and new solutions.

b) Intellectual property

FacePhi Biometría S.A. is the holder of the *Selphi* and *FacePhi Beyond Biometrics* trademarks (MUE 015106354 and MUE 015114853 respectively) that are thus protected in both the European Union and in the United States of America pursuant to trademarks registered with the USPTO (United States Patent and Trademark Office) by certificates no. 79190080 and 79190126.

European Union trademark protection is also provided by European trademark certificates with registration numbers MUE 017896710 *Look&Phi*; MUE 017948110 *inPhinite*; MUE 017948113 *4Phingers*; MUE 017948116 *Phivox*; MUE 017948119 *SignPhi* and MUE 017948878 *SelphID*.

The Company currently holds of the following registered trademarks:

• FACEPHI BEYOND BIOMETRICS	• PHIVOX
• SELPHI, YOU BLINK, YOU´RE IN	• SELPHI ID
• LOOK & PHI	• SIGNPHI
• INPHINITE	

The international expansion and activity in LATAM have prompted the governing body to extend the geographical coverage of trademark protection. Consequently, the *FacePhi Beyond Biometrics* and *SelphID Identity Validation* trademarks are duly registered either as international trademarks with territorial designation or as domestic trademarks in all markets in which the Group carries out commercial activity: APAC, LATAM and EMEA.

The Company still protects the aforesaid registered trademarks in spite of the fact that the Group is currently undergoing a rebranding process.

Pursuant to this rebranding, the following updated trademarks have been registered in the European Union and with the World Intellectual Property Organization (WIPO).

The new registered trademarks are:

MUE 018762534 FACEPHI (mixed)
MUE 018762535 FACEPHI (denominative)
MUE 018779488 FACEPHI IDENTITY PLATFORM (mixed)
4184138 FACEPHI PROTECTING IDENTITY TO BUILD THE FUTURE (Spain - OEPM)

Intellectual property rights

Entry into force of Act 1/2019 of 20 February, the Business Secrets Act, technology companies find themselves in a scenario where legal certainty regarding knowledge considered to constitute business secrets (algorithms, know-how, etc.) is greater than before and consequently provides stronger protection against potential breaches of business secrets.

Nevertheless, the legal doctrine and jurisprudence in the field agree that application of the Act will not be really effective unless the companies are equipped with tools capable of configuring an environment of security, protection, reliability and traceability.

Legal compliance and data protection:

Data protection and criminal compliance: We comply with the following regulations: Facephi's Criminal Risk Prevention Plan (CRP), the General Data Protection Regulation (GDPR), Organic Law on the Protection of Personal Data and Guarantee of Digital Rights (Spanish acronym LOPDGDD) backed by information security certifications.

Information channel

The Company has implemented an Information Channel with the aim not only of improving the promotion of ethical culture and good governance, but also of preventing and detecting any irregular, illicit or criminal conduct, in accordance with Directive (EU) 2019/1937 on the protection of persons who report breaches of EU law, better known as the 'Whistleblowing Directive'.

Compliance Committee

Its purpose is to review the application of the Compliance Plan, detect its effectiveness, and report to the Board of Directors, on a quarterly basis, on the dissemination, knowledge and compliance with the Criminal Risk Prevention Plan, the Code of Ethics and the Protocol on insider information to avoid market abuse practices.

The Company holds the following technical certifications:

- Legal compliance and data protection:

- **Data protection and criminal compliance:** We comply with the following regulations: Facephi's Criminal Risk Prevention Plan (CRP), the General Data Protection Regulation (GDPR), Organic Law on the Protection of Personal Data and Guarantee of Digital Rights (Spanish acronym LOPDGDD) backed by information security certifications.

- Governance, risk and corporate compliance

- **ISO/IEC 27001** (ISMS). A standard for information security management systems (ISMS) to ensure the confidentiality, integrity and availability of the information and the systems that process it.
- **ISO 22301.** Business continuity management system.
- **ISO 27017.** Controls and guidance for cloud service providers and users.
- **ENS.** Certification by the Spanish National Security Scheme (intermediate level).
- **Pinakes certification** (framework designed to manage and monitor the cybersecurity controls of technology suppliers supporting Spanish financial entities).

Product and technology certification

- **ISO 30107-3 iBeta Level 1.** Both Facephi's facial recognition algorithm (matcher) and its PAD algorithm with passive liveness comply with this level of the ISO 30107 standard.
- **ISO 30107-3 iBeta Level 2.** Certification at this level represents compliance with the highest standard in of presentation attack detection (PAD) using facial biometric technologies that any company in the sector has achieved to date.
- **KISA K-NBTC certification.** Certification that validates the performance of the Company's identity verification algorithm issued by the National Biometric Testing Centre (K-NBTC) of the Korea Internet Security Agency (KISA).
- **UK Digital Identity and Attributes Trust Framework (UK DIATF).** Facephi is certified as an identity service provider (IDSP) within the UK Digital Identity

framework for provision of secure, reliable digital identity services by means of its products and services.
- **SEPBLAC video-identification circulars.** Facephi is a certified supplier of onboarding and remote digital identity services within the compliance framework established by the Executive Service of the Commission for the Prevention of Money Laundering and Monetary Offences (Sepblac).

- Biometric information interchange:

- **ANSI/NIST-ITL 1-2011**. Data format for storage and interchange of biometric information for system interoperability.
- **ISO/IEC 19794-5** Specifies a format for storing, recording, and transmitting information of facial images, scene constraints, photographic properties and digital image attributes of the facial images and provides best practices.

c) Software

The Company did not incur any significant additions to its intangible assets in 2024. The additions in 2023 mainly related to licensing contracts purchased from a biometric supplier that the Company integrates into its marketed products, which is amortised on a straight-line basis over the term of the contract.

The Company has deregistered certain I.T. applications that were fully amortised during the 2023 and 2024 financial year

d) Fully-amortised intangible fixed assets

The Company held the following fully-amortised tangible fixed assets as of 31 December 2024 and 31 December 2023:

	Euro	
	31.12.2024	**31.12.2023**
Development	---	---
Intellectual property	---	---
Software	---	11.326
Total cost	**---**	**11.326**

e) Sundry information

As set forth in note 11.2, during the 2022 and 2024 financial year the Company received subsidies related to intangible fixed assets for capitalised development expenses, some of which were applied in 2023 and 2024.

No financial expenses have been capitalised and there are no intangible fixed assets in foreign countries. All intangible fixed assets are subject to operating conditions and they are not affected by encumbrances or liens. Neither has the Company made or reversed value restatements for impairment of any item of its intangible fixed assets.

f) Non-current asset impairment test

The recoverable value of non-current assets has been assessed by considering a single cash-generating unit (CGU) by estimating their value in use by means of cash-flow projections based on the business plan and estimates made by management for the next four years. The discount rate applied to the cash flow projections was 10,90% and the cash flows after the four-year period are extrapolated using a growth rate of 2.5%. No impairment has been detected in the value of the assets.

Key assumptions for calculating value in use

Calculation of value in use was based on the following hypotheses:

- Growth: The Company expects revenue to grow again in double digits by 2025, a growth rate that will be maintained for the period of the financial projections (2026-2028), and of 2.5% per annum as of 2028. The Company continues to invest in human resources aimed at sales and marketing activity, developing the business in countries where it already operates and by opening new offices and developing sales channels that will enable it to increase its turnover.
- EBITDA: the Company estimates that its EBITDA grow progressively, obtaining new contracts and optimising its resource structure.
- Discount rate: a WACC in line with the average WACC calculated by analysts following the Company, and therefore the Group, of 8.71% has been used as indicated above.10.90%.
- CapEx: the Company estimates that its investments in intangible assets, mainly in the development and improvement of its technology, will continue but will represent a smaller percentage of turnover, as shown for the second consecutive year.

Sensitivity to changes in hypotheses

In view of the differences between the book values of the net assets of the Company under analysis and their value in use, management considers it highly unlikely that any variation in any of the hypotheses set forth above (e.g., a residual increase in WACC and/or 1% decrease in the growth rate) would mean that the book value of the assets would exceed their recoverable value. However, at the end of each year, the Company reassesses its business plan, adapting the assumptions according to the current environment and new expectations.

NOTE 5. TANGIBLE FIXED ASSETS

The following is the breakdown and movement of the items that comprise Tangible Fixed Assets:

Cost:

Item	Cost at 31.12.22	Additions	Cancellations	Transfers	Cost at 31.12.23	Additions	Cancellations	Transfers	Cost at 31.12.24
	Euro								
Land and buildings	---	372.325	---	1.773.343	2.145.668	40.867	---	---	2.186.535
Technical facilities	1.347	---	(1.347)	---	---	---	---	---	---
Other facilities	32.167	2.364	---	24.176	58.707	9.989	(3.366)	---	65.330
Furnishings	79.481	---	(4.486)	28.903	103.898	11.080	(22.096)	---	92.882
I.T. equipment	924.794	202.594	(325.343)	---	802.045	131.256	(96.639)	---	836.662
Other tangible fixed assets	9.213	---	(4.433)	---	4.780	---	---	---	4.780
Fixed assets under construction and advances	947.394	925.137	---	(1.872.532)	---	---	---	---	---
Total cost	**1.994.396**	**1.502.420**	**(335.608)**	**(46.110)**	**3.115.098**	**193.193**	**(122.101)**	**---**	**3.186.190**

Amortisation:

Item	Balance at 31.12.22	Business combs.	Provision fin. year.	Cancellations	Balance as at 31.12.23	Provision. fin. year.	Cancellations	Transfers	Balance as at 31.12.24
			Euro						
Land and buildings	---	---	120.637	---	120.637	214.675	---	---	335.312
Other facilities	10.062	---	6.142	---	16.204	8.710	(3.366)	---	21.548
Furnishings	34.828	---	10.581	(3.781)	41.628	11.704	(22.096)	---	31.236
I.T. equipment	231.016	---	460.497	(322.484)	369.029	258.844	(96.639)	---	531.235
Other tangible fixed assets	5.299	---	867	(4.432)	1.734	478	---	---	2.212
Total amortisation	**281.205**	**---**	**598.725**	**(330.698)**	**549.233**	**494.412**	**(122.101)**	**---**	**921.544**

Net book value:

Item	Euro Balance as at 31.12.24	Euro Balance as at 31.12.23
Land and buildings (*)	1.851.223	2.025.031
Technical facilities	---	---
Other facilities	43.782	42.502
Furnishings	61.646	62.270
I.T. equipment	305.428	433.016
Other tangible fixed assets	2.568	3.046
Fixed assets under construction and advances	---	---
Total net value	**2.264.647**	**2.565.865**

(*) The total amount in 2024 and 2023 corresponds to constructions.

Additions for investments in tangible fixed assets during the 2024 and 2023 financial years mainly involve the works for the new business centre in the city of Alicante that the Company has leased to carry out its activity and which were finished by early June 2023. Apart from said works, additions during the financial year under study mainly involve information technology equipment for newly-recruited personnel.

a) Fully written-off assets

The following is a breakdown of the Company's fully-amortised tangible fixed assets still in use at the end of the 2024 and 2023 financial years:

Item	Euro 2024	Euro 2023
Furnishings	---	---
I.T. equipment	---	9.961
Other tangible fixed assets	---	---
Total	---	**9.961**

b) Insurance

The Company has taken out insurance policies to cover the risks to which its property, plant and equipment are subject. The coverage of these policies is considered sufficient.

c) Sundry information

No financial expenses have been capitalised, there are no tangible fixed assets in other countries and there are no encumbrances or liens on the items under this head. Neither has the Company made or reversed value restatements for impairment of any item of its intangible fixed assets.

NOTE 6. LEASES AND OTHER TRANSACTIONS OF A SIMILAR NATURE

a) Operating leases

The following is the sum of the minimum future payments for non-cancellable operating leases:

	Euro	
Minimum future payments	**31.12.24**	**31.12.23**
Up to one year	669.536	237.109
Between one and five years	1.433.677	1.538.607
More than five years	1.221.360	1.555.840
Total	**3.324.573**	**3.331.556**

The most significant features of the leasing contracts are the following lease payments recognised as expenses for the financial year in question:

Description of the lease	Expense 2024 fin. year	Expense 2023 fin. year	Due date	Renewal	Price update criteria
Offices, garages and storage	278.693	29.083	31/12/2033	N/A	SI (IPC)
Madrid Office	147.201	118.896	31/12/2026	N/A	NO
Branch offices	803	80.882	21/05/2024	N/A	NO
I.T. hardware	---	1.773	31/12/2025	N/A	NO
I.T. hardware	1.462	1.099	30/06/2029	N/A	NO
Furnishings	38.716	16.777	17/07/2028	N/A	NO
Components de transport	74.121	68.265	11/02/2028	N/A	NO
Rentals, software, cloud and others	155.683	792.557	N/A	N/A	N/A
Total	**696.680**	**1.109.332**			

On 8 January 2023, two further operating vehicle leasing contracts were signed for the use of members of the Board of Directors. The monthly payment amounts to 2,223 euros per vehicle and matures in 3 years. These contracts expired in January of this year and two new vehicle leasing contracts have been signed, initially for the use of members of the Management and Board of Directors. Both contracts expire in January and April 2026. Lastly, the lease payments are 2,726.04 for the first vehicle and 2,168.19 for the second.

Moreover, due to the fact that the Company is taking measures to modernise its work model, on 4 March 2022 it entered into a new lease contract in a business centre in the city of Alicante for a period of ten years counting from the end of the conditioning works or from 31 December 2022, whichever occurs first, including a 3-year mandatory

permanence period. The lessor grants a 12-month grace period counting from the end of the conditioning works or from 31 December 2022. The Company has placed a rental bond of 34,000 euros, the equivalent of two monthly rent payments. The works finished in June 2023.
During 2024, the Company reclassified all software subscriptions included in rents and fees in 2023 to other services due to the nature of these services, which resulted in a decrease in the total amount of rentals without a reduction in the amount actually incurred.

b) Financial leasing

During the 2022 financial year the Company acquired an information processing server by entering into a financial leasing contract for a total of 275,000 euros. In order to comply with the conditions of substantial transfer of the risks and benefits inherent in ownership of the asset, the recognition and valuation rule set forth in Note 3.2 was activated under the head of "machinery" in the tangible fixed assets account in connection with the aforesaid financing contract.

The following is a breakdown of the most important conditions of the financial loan contract in effect during the financial year and its position as at 31 December 2024 and 2023:

2024:

			Euro					
Object of the contract	**Start**	**Term (months)**	**Cost Asset**	**Instalments paid as at 31.12.24**	**Amount pending payment as at 31.12.24**			**Purchase option**
					Capital		**Interest pending payment**	
					S/T	**L/T**		
Information processing equipment	15/11/2022	36	275.000	191.092	83.908	-	1.798	---
Total			**Total**	**275.000**	**191.092**	**83.908**	**--**	**1.798**

2023:

			Euro					
Object of the contract	**Start**	**Term (months)**	**Cost Asset**	**Instalments paid as at 31.12.23**	**Amount pending payment as at 31.12.23**			**Purchase option**
					Capital		**Interest pending payment**	
					S/T	**L/T**		
Information processing equipment	15/11/2022	36	275.000	110.818	92.287	83.908	7.773	---
Total			**Total**	**275.000**	**110.818**	**92,287**	**83.908**	**7.773**

During the financial year ended 31 December 2023, the Company paid the sums of 92,287 euros y 5,975 euros in principal and interest respectively under said contract (88,276 euros and 9,985 euros respectively euros in 2023).

The financial lease transaction in effect as at 31 December 2024 and 2023 accrued interest at an average rate of 4.54%.

Accordingly, the following is the breakdown of the book value of the asset acquired under the financial lease contract as at 31 December 2024 and 2023:

	Euro					
	31.12.24			31.12.23		
Item	**Cost**	**Accumulated amortisation**	**Net book value**	**Cost**	**Accumulated amortisation**	**Net book value**
Information processing equipment	275.000	191.092	83.908	275.000	103.125	171.875
Total	**275.000**	**191.092**	**83.908**	**275.000**	**103.125**	**171.875**

NOTE 7. INFORMATION ON THE NATURE AND RISK LEVEL OF FINANCIAL INSTRUMENTS

The Company's risk management is aimed at establishing the required mechanisms to control its exposure to different types of risk: market risk (including exchange rate risk, interest rate risk and price risk), credit risk and liquidity risk. Risk management is monitored by the Company's Board of Directors with the support of the Management Control Departments.

<u>Credit risk</u>

Credit risk arises from potential losses caused by infringement of contractual obligations by Company's counterparties, i.e., by failure to collect financial assets in compliance with the established amounts and timeframes. To minimise this risk, the Company only works with credit institutions of recognised solvency and reputation.

Due to their excellent credit standing, Company's main debtors do not pose specific credit risks of cancellation of the balances pending collection at the end of the financial year. The following is the breakdown by seniority of the trade debtors and other accounts receivable as at 31 December 2023:

	Euro	
	31.12.24	**31.12.23**
Long-term debts not due	4.378.007	7.067.893
Short-term debts not due	10.170.420	11.045.947
Past due but not doubtful	8.266.948	1.927.702
Doubtful	3.016.773	2.769.079
Total	**25.832.149**	**22.810.621**
Restatements due to impairment (note 9.1)	(3.016.773)	(2.769.079)
Total	**22.815.376**	**20.041.542**

Liquidity risk

Prudent management of liquidity risk entails maintaining sufficient cash and highly-liquid securities, the availability of financing through a sufficient number of committed credit facilities and the ability to liquidate market positions. Liquidity risk is considered sufficiently mitigated by the availability of our credit lines with financial institutions (note 12), the convertible debt issuance financing agreements entered into with the investment fund Nice & Green, S.A. (hereinafter "Nice & Green") (see note 11) and the other mitigating factors mentioned in Note 2.e).

Market-related financial risks

a. Interest rate risk on cash flows and fair value

Income and cash flows from Company's operating activities are for the most part independent of changes in market interest rates.

The interest rate risk arises from long-term borrowings. Borrowing issued at variable rates exposes the Company to the cash flow interest rate risk. Borrowing at fixed interest rates exposes the Company to fair value interest rate risk. The Company's policy consists in diversifying its long-term borrowings between variable interest rate and fixed interest-rate instruments (see Note 12).

b. Exchange rate risk

The Company operates internationally and is therefore exposed to exchange rate risks due to its foreign currency transactions. The exchange rate risk arises from recognised assets and liabilities. The breakdown of financial assets and liabilities and transactions denominated in foreign currency is reported in Note 14.

The Company's financial management cannot predict the effects of exchange rates on future operating results due to the potential volatility of the foreign exchange markets. The Company does not currently use hedging derivatives to cover its exposure to other currencies.

c. Price risks

The Company is not exposed to significant price risks.

Fair value estimate

The Company assumes that the book value of credits and debits for trade transactions is close to fair value. The fair value of financial liabilities for financial reporting purposes is estimated by discounting future contractual cash flows at the current market interest rate available to the Company for similar financial instruments.

NOTE 8. FINANCIAL INVESTMENTS IN GROUP COMPANIES

The following are the movements recognised under the head of *Short and long-term investments in group and associated companies* at the end of the 2024 and 2023 financial years:

	Euro								
	Balance at 31.12.22	**Additions**	**Cancellations**	**Transfers**	**Balance at 31.12.23**	**Additions**	**Cancellations**	**Transfers**	**Balance at 31.12.24**
Long-term									
Multigr. and assoc. company equity instruments	516.577	117	---	---	516.693	8.032	---	---	524.726
Financing loans to group and related companies	19.313	----	---	3.470.674	3.489.987	---	---	---	3.489.987
Interest on l/t cred. to gr. and related companies	---	---	---	---	---	---	---	---	---
Impairment of holdings in Group	(81.264)	---	---	---	(81.264)	(117)	---	---	(81.381)
Impairment loans to group comps.	---	---	---	---	---	(3.470.674)	---	---	(3.470.674)
Total l/t inv. in group and assoc. comps.	**454.627**	**117**	**---**	**3.470.674**	**3.925.417**	**(3.462.759)**	**---**	**---**	**462.658**
Short-term:									
Financing loans to group and related companies	885.456	2.640.180	(54.962)	(3.470.674)	---	1.605.693	---	---	1.605.693
Impairment of group companies	---	---	---	---	---	(1.605.693)	---	---	(1.605.693)
Total s/t inv. in group and assoc. comps.	**885.456**	2.640.180	**(54.962)**	**(3.470.674)**	**---**	**---**	**---**	**---**	**---**

8.1 Equity instruments in group companies

The following is the information on the Group companies as at 31 December 2024:

FacePhi APAC Ltd

The Company holds 100% of the share capital of FacePhi APAC Ltd, – a subsidiary incorporated for an indefinite period on 15 October 2019 with registered office in Pangyo (South Korea) – as part of its internationalisation and business development strategy. FacePhi APAC was incorporated with an initial capital of 100,000,000 KRW, equivalent to 81,264 euros, fully called and paid up by the Company as the sole shareholder.

In 2021, the company capitalised the loan it had with the Korean subsidiary by increasing capital by EUR 435,126, bringing the share capital to EUR 516,390 and the equivalent of KRW 579,030,000.

In accordance with the criteria set forth in Note 3.5, holdings in equity instruments in Group companies are valued at cost for the initial consideration at the exchange rate on the subscription or purchase date, reduced by an impairment sustained in previous financial years for the sum of 81,264 euros.

Celmuy Trading, S.A.

On 25 April 2021 the Company acquired a 100% holding in the equity of Celmuy Trading S.A. for an amount equal to its nominal value of 10,000 pesos, the equivalent to 188 euros valued at the exchange rate on the transaction date.

Celmuy Trading S.A. was incorporated under the laws of Uruguay on 11 August 2020 and registered in the Single Tax Registry of said country with number 218731960012 and is subject to the laws of said country.

Celmuy Trading began trade transactions on 1 March 2022. Its main activity is marketing of the Company's technological products in Latin America, the provision of technical assistance services and implementation of the solutions marketed by Facephi.

Facephi Beyond Biometrics, Ltd.

On 26 May 2022 Facephi Beyond Biometrics Ltd was registered in the Companies Registry of England and Wales under number 14135809. This company, which is subject to the commercial laws of that country, has been registered with a share capital of GBP 100, which was paid up in 2023 (EUR 117 valued at the exchange rate). In 2024 this shareholding has been impaired, as well as the credit that the company had with the same (note 8.2), given the loss situation of the subsidiary, and that the management in 2024 is evaluating and initiating the analysis on changes of strategy and review of the continuity of the same.

FacePhi Biometric Solutions Brasil Softwares Ltda.

On 10 July 2024, FacePhi Biometric Solutions Brasil Softwares Ltda. was registered in the Brazilian Registry under CNPJ number 55.870.286/0001-58. This company was registered with a capital of 50,000 Brazilian Reais (8,032 euros), paid up in 2024. This company did not carry out any significant activity during the year.

Equity position of companies within the consolidation group

The following was the equity position of the subsidiaries obtained from their unaudited accounting records as of 31 December 2024 and 2023:

	FacePhi Biometric Solutions Brasil Softwares Ltda		Celmuy Trading, S.A.		Facephi Beyond Biometrics, Ltd.		FacePhi APAC Ltd	
	2024	**2023**	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**
Called capital	8.032	---	187	187	116	116	516.390	516.390
Issue premium	---	---	--	--	--	--	---	---
Reserves	---	---	154.537	43.450	(3.018.934)	(909.089)	(196.221)	(212.630)
Outcome of the financial year	---	---	163.007	111.087	(1.599.374)	(2.109.845)	(144.231)	16.409
Conversion differences	--	--	(3.439)	(9.491)	(176.410)	(893)	(27.714)	(79.445)
Subsidies	--	--	--	--	--	--	---	---
Net equity	**8.032**	**---**	**314.292**	**145.233**	**(4.794.718)**	**(3.019.711)**	**148.224**	**240.723**
% holding	100%	---	100%	100%	100%	100%	100%	100%
Theoretical value of holding	**8.032**	**---**	**314.292**	**145.233**	**(4.794.718)**	**(3.019.711)**	**148.224**	**240.723**
Cost	8.032	---	187	187	116	116	516.390	516.390
Impairment	---	---	--	--	(116)	---	(81.263)	(81.263)
Net book value	**8.032**	**---**	**187**	**187**	**---**	**116**	**435.126**	**435.126**

The impairment loss estimate is reviewed annually on the basis of the net equity of the investee company and of the expected future cash flows of the same. In 2024 it has been decided to impair the shareholding and the receivable of the UK subsidiary. No additional impairments were recorded in 2023.

8.2 Long-term financing credits

As of 31 December 2024 and 2023, the Company has granted credit to the following companies:

	Euro	
	31.12.24	**31.12.23**
FacePhi APAC Ltd	19.313	19.313
Facephi Beyond Biometrics, Ltd.	-	3.470.674
Total	**19.313**	**3.489.987**

No interest had accrued as at 31 December 2024 and 2023.

As mentioned in point 8.2 above, the subsidiary Facephi Beyond Biometrics, LTD was incorporated in financial year 2022. In the financial years 2022, 2023 and 2024, the Company has made credit provisions to this subsidiary to support its start-up costs. The total receivable at 31 December 2024 amounts to Euros

5,076,367 (Euros 3,470,674 at 31 December 2023), which has no specified maturity. As mentioned above, the Board of Directors is currently assessing the continuity of this subsidiary in view of the negative results since its incorporation, and the Company has therefore impaired the loan held for the full amount mentioned above.

NOTE 9. FINANCIAL ASSETS

9.1 Analysis by category

The following table shows the book value of each category of financial instrument provided for in Rule nine of the Spanish General Accounting Plan's (PGC) recognition and valuation rules in accordance with the information set forth in Note 3.5 except investments in Group and associated companies (see Note 8). and cash and cash equivalents (see Note 10):

	Euro			
	Loans, derivatives and others			
	Short-term		Long-term	
	2024	2023	2024	2023
Assets at cost:				
• Equity instruments	---	---	---	
Assets at amortised cost				
• Trade debtors and other accounts receivable (*)	18.437.369	12.973.649	4.378.007	7.067.893
• Loans to personnel	2.050	2.050	1.700	1.700
• Other financial assets	62.988	47.364	144.009	128.085
Total	**18.502.407**	**13.022.630**	**4.523.716**	**7.197.678**

(*) Does not include balances with government agencies.

There are no significant differences between the book value and the fair value of financial assets recognised at cost or amortised cost.

Trade debtors and other accounts receivable

The following is the breakdown of this item on the Balance Sheet as at 31 December 2024 and 2023:

	Euro	
	2024	**2023**
Non-current trade debts		
• Trade receivables for provision of services, invoices pending issuance	4.378.007	7.067.893
Total long-term	**4.378.007**	**7.067.893**
S/t trade debtors and other accounts receivable		
• Trade receivables for provision of services	8.266.949	1.927.702
• Trade invoices pending issuance	10.170.421	11.045.514
• Doubtful trade receivables	3.016.773	2.769.079
• Group trade accounts (Note 16.b)	---	---
• Personnel	2.050	433
• Impairment of trade credits	(3.016.773)	(2.769.079)
• Current tax assets	1.624.899	(733)
• Others credits with govt. agencies (Note 13.1)	2.042.900	1.789.338
Total	**22.107.218**	**14.762.253**

The Company's collection conditions allow its customers up to one year to pay for goods and services. This is normal business practice in the sector in which it operates and particularly in technology assignment and licensing agreements. The Company recognises the consideration at amortised cost under the head of *Non-current trade debts* in Assets on the Balance Sheet in cases where the invoicing period is longer than one year.

Company management considers that the credit risk is sufficiently guaranteed in view of the solvency of the debtors with whom it works (mainly financial institutions).

Impairment of trade credits

The following is the breakdown of losses for value impairment by trade receivables credit risk during the 2024 and 2023 financial years:

	Euro	
	2024	**2023**
Initial balance	**2.769.079**	**1.897.511**
Provision for impairment of accounts receivable	247.694	1.004.393
Reversal of unused amounts	---	(132.825)
Final balance	**3.016.773**	**2.769.079**

Recognition and reversal of valuation restatements for impairment of trade accounts receivable has been included under heading A.7.c) *Losses, impairment and variation in provisions for trade transactions* in the Income Statement.

The Company also recognised losses under the same head due to bad debts for the sum of 160,108 euros (397,082 euros in the 2023 financial year) directly in the Income Statement in the 2024 financial year.

Other short and long-term financial assets

As at 31 December 2024 the *Other long-term financial assets* account includes the rental bonds for the offices for the sum of 69,680 euros (53,.756 euros euros as of 31 December 2023), 74,329 euros (same amount as of 31 December 2023) as a final good-faith bond for the public tender awarded by AENA in financial 2021 for supply and upgrading of a facial biometrics system.

These bonds have not been valued at amortised cost due to the negligible effect they would have on the Company's net equity.

Moreover, on 31 December 2024 the *Other short-term financial assets* account includes the sum of 31,344 euros (same amount as at 31 December 2024) for a fixed-term deposit (F.T.D.) for a par value of $US 35,500 as a guarantee placed with a customers for provision of licencing, support and consultancy. In addition to other minor guarantees for miscellaneous rents and payment guarantees.

9.2 Analysis by maturity

The following are the amounts of the financial asset instruments with a specific or determinable maturity classified by year of maturity as at 31 December 2024:

	Financial assets					
	2025	**2026**	**2027**	**2028**	**Subsequent years**	**Total**
Financial asset						
• Debtors and other accounts receivable (*)	18.439.419	2.779.697	753.533	844.777	---	22.817.426
• Other financial assets	62.988	35.680	1.700		108.329	208.697
Total	**18.502.407**	**2.815.377**	**755.233**	844.777	**108.329**	**23.026.123**

(*) Does not include balances with government agencies.

The following are the amounts of the financial asset instruments with a specific or determinable maturity classified by year of maturity as at 31 December 2023:

	Financial assets

	2024	2025	2026	2027	Subsequent years	Total
Financial asset						
• Debtors and other accounts receivable (*)	12.973.649	4.356.334	1.814.362	646.166	251.031	20.041.542
• Other financial assets	49.414	79.315	---	---	40.770	179.199
Total	**13.023.063**	**4.435.649**	**1.814.362**	**646.166**	**301.501**	**20.220.741**

(*) Does not include balances with government agencies.

NOTE 10. CASH AND CASH EQUIVALENTS

The following breakdown shows the cash and cash equivalents account as at 31 December 2024 and 2023:

	Euro	
	2024	**2023**
Cash, euros	3.560	1.324
Cash, foreign currency (note 14.g)	677	677
Banks and credit inst. demand c/c, euros	2.046.564	1.097.386
Banks and credit inst. demand c/c, f.c. (note 14.g)	3.588.199	1.499.237
Total	**5.639.000**	**2.598.624**

The treasury item under the head of *Banks and financial institutions* includes an entry of 219,229 euros (285,677 euros at 31 December 2023) for financial deposits in the trading and settlement entities of Euronext and BME Growth securities respectively, the funds of which are not freely available to the Company unless the liquidity provider estimates that the cash or shares at its disposal are excessive.

As a result of the financial restructuring agreement entered into on 14 December 2020, the Company had established a pledge right over the current accounts and other available liquid assets for the sum of 25,347,865 euros (2,279,907 euros as at 31 de December 2023) (see Note 12.2).

NOTE 11. NET EQUITY

The attached Statement of Changes in Net Equity shows the breakdown and movement of the various accounts under the head of Net Equity during the financial periods ended on 31 December 2024 and 2023.

11.1 Capital and reserves

a) Share capital and issue premium

The following is the composition of the Company's share capital and issue premium as at 31 December 2024 and 2023:

	Euro			
	2024		2023	
	Capital	Issue premium	Capital	Issue premium
Authorised	1.016.462	31.045.346	851.585	24.231.301
Total	**1.016.462**	**31.045.346**	**851.585**	**24.231.301**

The following is a breakdown of movements of authorised share capital and issue premiums recognised as at 31 December 2024 and 2023:

	Number of shares	Par value	Share capital	Issue premium
Opening balance as at 1 January 2024	**21.289.623**	**0,04**	**851.585**	**24.231.301**
Capital increase 11.01.2024	264.368	0,04	10.575	532.904
Capital increase 29.2.2024	334.057	0,04	13.362	638.812
Capital increase 27.05.2024	701.303	0,04	28.052	1.276.296
Capital increase 24.10.2024	1.695.358	0,04	67.814	2.576.944
Capital increase 23.12.2024	1.126.837	0,04	45.073	1.789.090
Balance at 31 December 2024	**25.411.546**	**0,04**	**1.016.461**	**31.045.346**

	Number of shares	Par value	Share capital	Issue premium
Opening balance as at 1 January 2023	**17.432.768**	**0,04**	**697.311**	**15.560.800**
Capital increase 19.01.2023	196.448	0,04	7.858	567.735
Capital increase 26.01.2023	394.104	0,04	15.764	1.276.896
Capital increase 02.08.2023	1.214.855	0,04	48.594	2.994.884
Capital increase 17.10.2023	1.293.889	0,04	51.756	2.339.549
Capital increase 17.10.2023	470.506	0,04	18.820	850.745
Capital increase 16.11.2023	287.053	0,04	11.482	640.692
Final balance as at 31 December 2023	**21.289.623**	**0,04**	**851.585**	**24.231.301**

Financing agreement - Convertible warrants

On 14 December 2020 the Company entered into a new financing agreement with similar conditions and features as the previous one with Nice & Green (signed in September 2019), for which reason the Extraordinary General Meeting of the Company held on 25 January 2021 agreed, in compliance with article 297.1.b of the Corporate Enterprises Act (LSC) to delegate the power to issue convertible equity warrants (EW) in Company shares for a maximum conversion sum of 20 million euros to the Board of Directors and to increase the share capital by the amount required to address conversion of said warrants. In accordance with art 417 of the LSC, the pre-emptive subscription rights were disabled for this transaction since the only recipient of the issue was Nice & Green S.A. Said delegated power was limited by the condition that the total amount of the increases in share capital agreed on one or more occasions may not exceed the equivalent of half of the share capital at the time, i.e. 288,570.38 euros under any circumstances.

The price of conversion into shares considered in the financing agreement may not be lower than 130% of the par value of Company shares (i.e., at a lower price per equity warrant than 0.052 euros) or higher than the conversion price resulting from 92% of the lowest weighted average price during the six trading days prior to the date on which the conversion right is exercised. The investment commitment ended on 31 December 2022, the last conversion to a capital increase will take place in January 2023.

The sum of 1,500,000 euros remained available for conversion at the beginning of 2023. On 10 and 23 January 2023 Nice & Green S.A. requested conversion into shares of the amount pending execution under the following conditions:

Notification date	Amount	Conversion of EW	Exercise price	Par value	Issue premium	Capital	Issue premium
10/01/2023	500,000	196,448	2.5452	0.04	2.5052	7,858	492,141
23/01/2023	1,000,000	394,104	2.5374	0.04	2.4974	15,764	984,235
Totals	**1,500,000**	**590,552**				**23,622**	**1,476,376**

With respect to the aforesaid notifications, the associated capital conversion and increase agreement was formalised on 16 and 23 January 2023 pursuant to instruments executed before the notary public of the Castilla-La Mancha Notaries Association Iván Castejón Fernández-Trujillo under numbers 62 and 95 of his journal record and registered in the Companies Registry of Alicante on 13 and 24 February 2023 respectively.

Effect on the Income Statement

Since the fixed-for-fixed swap rule was not met in accordance with the valuation criteria and standards set forth in note 3.8.b, according to the EW issuance conditions a financial derivative is created during the life of the warrant issue until the time it is converted into shares.

After conversion of the pending amount of 1,500,000 euros with the aforesaid two capital increases in January 2023, the actual loss at the time of these two conversions amounted to 368.255 euros as increased value of the share premium, a loss was consequently recognised in 2023 under head 17, Variation in the Fair Value of Financial Instruments in the Income Statement.

Variations in the fair value of the derivative during its life (that is, from the signature date to exercise of the option) are recognised under head 17, *Variation in the Fair Value of Financial Instruments* in the Financial Statements as a financial cost and reflected in the reciprocal entry in net Equity as increased value of the issue premium. The increase in the premium in 2023 amounted to 368,255 euros, the equivalent of the treasury inflow received for the conversion minus the accumulated fair value by the derivative to said date.

The following is the breakdown of the above movements

As at 31 December 2023

	Number of shares	Conversion price	Fair value	Issue premium/cost
Capital increase 19.01.2023	196,448	2.5452	2.93	75,593
Capital increase 26.01.2023	394,104	2.5374	3.28	292,662
				368,255
Derived value recognised in the previous financial year at 12/12/2022				(99,093)
Total recognised under head *17. Variations in the Fair Value of Financial Instruments* in the Income Statement for the financial year (loss).				269,162

Financing contract – Convertible bonds

On 27 April 2023 the Company entered into a third financing agreement with similar conditions and features as the previous one with Nice & Green. The financing instruments, however, were different, taking the form of issuance of convertible bonds on this occasion. The Extraordinary General Meeting held on 20 June 2023 agreed, in compliance with article 297.1.b of the Corporate Enterprises Act (LSC) to delegate the power to issue convertible equity warrants (EW) in Company shares for a maximum conversion sum of 20 million euros to the Board of Directors and to increase the share capital by the amount required to address conversion of said warrants. In accordance with art 417 of the LSC, the pre-emptive subscription rights were disabled for this transaction since the only recipient of the issue was Nice & Green S.A. Said delegated power was limited by the condition that the total amount of the increases in share capital agreed on one or more occasions may not exceed the equivalent of half of the share capital at the time, i.e. 360,466.40 euros under any circumstances.

The number of new shares to be issued on conversion of each convertible bond shall be determined by application of the following formula:

N = Vn /P
Where:

“N” represents the number of new shares to be issued
“Vn” is the call price of the convertible bonds.
“P”: is (i) the issue price rounded to 4 decimal places; or (ii) the nominal share price, whichever is the higher.

The “issue price” shall be calculated as follows:

Issue price = Reference VWAP * 92%
“Reference VWAP” means (i) the VWAP published on the trading day preceding the conversion date or (ii) the VWAP of the last three (3) trading days immediately preceding a conversion date, whichever is the lower. For the purposes of calculating the reference VWAP, the VWAP of trading days on which the bond-holder has sold more than 15% of the daily trading volume of the shares shall not be taken into account.

Issuances and conversions under the convertible bond contract

The Company requested the first issuance for conversion of convertible bonds on 21 July 2023 for the sum of 5,000,000 euros (500 bonds with a par value of 10,000 euros each). The transaction was notarised on 24 July 2023.

On 27 July and 2023 and 5 October 2023, Nice & Green S.A. notified conversion of 2,800,000 euros (280 bonds at 10,000 euros par value each) and 2,200,000 euros (220 bonds of 10,000 euros par value each) respectively in accordance with the following conditions:

Notification date	Amount	Conversion (shares)	Exercise price	Par value	Issue premium	Capital	Issue premium
27/07/2023	2,800,000	1,214,655	2.2648	0.04	2.3048	48,594	2,751,404
5/10/2023	2,200,000	1,214,855	1.7003	0.04	1.6603	51,756	2,148,244

The first of the aforesaid conversions was notarised on 2 August 2023 and registered in the Companies Registry on 12 September 2023. The second conversion was notarised on 17 October 2023 and registered in the Companies Registry on 6 November 2023.

The Company requested the second issuance for conversion of convertible bonds on 6 October 2023 for the sum of 1,900,000 euros (190 bonds with a par value of 10,000 euros each). The transaction was notarised on 24 July 2023.

On 6 October 2023 and 8 November 2023, Nice & Green S.A. notified conversion of 800.000 euros (80 bonds at 10,000 euros par value each) and 600.000 euros (60 bonds of 10,000 euros par value each) respectively in accordance with the following conditions:

Notification date	Amount	Conversion (shares)	Exercise price	Par value	Issue premium	Capital	Issue premium
6/10/2023	800,000	470,506	1.7003	0.04	1.6603	18,820	781,181
8/11/2023	600,000	287,053	2.0902	0.04	2.0502	11,482	588,516

The first of the aforesaid conversions was notarised on 17 October 2023 and registered in the Companies Registry on 11 November 2023. The second conversion was notarised on 16 November 2023 and registered in the Companies Registry on 20 December 2023.

The differences between the par value of the amounts converted into shares and the value of said debt at amortised cost gave rise to a financial expense under head 15. Financial Expenses in the Income Statement for the sum of 556,525 euros, resulting in an increase in the premium by the same amount.

At 31 December 2023, 500,000 euros of the aforementioned issue remained to be converted for 1,900,000 euros. On 3 January 2024, Nice & Green, S.A. notified the conversion of the aforementioned 500,000 euros (50 bonds with a nominal value of 10,000 euros each), under the following conditions:

Notification date	Amount	Conversion (shares)	Exercise price	Par value	Issue premium	Capital	Issue premium
3/01/2024	500.000	264.368	1,8913	0,04	1,8513	10.575	489.424

In relation to the aforementioned conversion, it was notarised on 11 January 2024 and registered in the Mercantile Register on 5 February 2024.

The difference between the nominal value of the amount converted into shares and the value of this debt at amortised cost gave rise to a financial expense under ‘15. Financial expenses’ in the profit and loss account in the amount of 43,479 euros, generating an increase in the premium for this amount.

Modification of the financing contract - Convertible bonds

The aforementioned financing agreement for convertible bonds signed on 27 April 2023 with Nice & Green, S.A., agreed a maximum conversion amount of 20 million euros. This agreement has been modified according to the contract, signing a new addendum dated 17 January 2024, mainly as follows:

- Reducing the maximum amount that the investor can invest from the initially agreed 20 million euros to 11.1 million euros. The amount pending investment at the date of signing the addendum was 4.2 million euros (420 bonds).

- In respect of this amount it has been agreed that Facephi would issue up to 7 tranches of 60 convertible bonds (600,000 euros) at one-month intervals.

- Agree to the novation of the maturity of the loan contract that the Company has with Nice & Green, S.A. in the amount of 700 thousand euros that were due on 31 December 2023, considering a repayment schedule of the loan at a rate of 100 thousand euros per month in the same period that the 7 tranches indicated in the previous point are issued.

On 22 January 2024, the Company applied for the first issue for conversion of the convertible bonds in the amount of 600,000 euros (60 bonds with a nominal value of 10,000 euros each), which was made public on 19 February 2024.

On 23 February 2024, Nice & Green, S.A. notified the conversion of the 600,000 euros (60 debentures with a nominal value of 10,000 euros each), under the following conditions:

Notification date	Amount	Conversion (shares)	Exercise price	Par value	Issue premium	Capital	Issue premium
23/02/2024	600.000	334.057	1,7961	0,04	1,7561	13.362	586.637

In relation to the previous conversion, it was made public on 29 February 2024, being registered in the Mercantile Register on 5 March 2024.

On 20 February 2024, the Company applied for the second issue for conversion of the convertible bonds in the amount of 600,000 euro (60 bonds with a nominal value of 10,000 euro each), which was made public on 28 March 2024.

On 18 March 2024, the Company requested the third issue for conversion of the convertible bonds in the amount of 600,000 euros (60 bonds with a nominal value of 10,000 euros each), which was made public on 16 April 2024.

On 15 May 2024, Nice & Green, S.A. notified the conversion of tranches two and three for 600,000 euros each (120 bonds with a nominal value of 10,000 euros each), under the following conditions:

Notification date	Amount	Conversion (shares)	Exercise price	Par value	Issue premium	Capital	Issue premium
15/05/2024	1.200.000	701.303	1,7111	0,04	1,6711	28.052	1.171.947

In relation to the above conversion, it was notarised on 27 May 2024 and registered in the Mercantile Register on 12 June 2024.

The differences between the nominal value of the amounts converted into shares mentioned above and the value of this debt at amortised cost gave rise to a financial expense under ‘15. Financial expenses’ in the profit and loss account in the amount of 156,522 euros, generating an increase in the premium for this amount.

On 22 April 2024, the Company requested the fourth issue for conversion of the convertible bonds in the amount of 600,000 euros (60 bonds with a nominal value of 10,000 euros each), which was made public on 2 May 2024. The conversion of this tranche was effective in January 2025 (note 25), so this amount is recognised in short-term liabilities at 31 December 2024 (note 12.4).

Financing agreement - Nice & Green Convertible Loan

On 22 August, a new loan agreement of 1,800,000 euros was agreed with Nice & Green, S.A., the amount of which replaces the amount of the three outstanding tranches of the aforementioned convertible bond agreement.

On 23 December 2024, the Company resolved at an Extraordinary General Meeting to increase capital by offsetting the receivables from the aforementioned loan:

Amount	Conversion (shares)	Exercise price	Par value	Issue premium	Capital	Issue premium
1.800.000	1.126.837	1,6277	0,04	1,5877	45.073	1.789.079

In relation to the above conversion, it was notarised on 16 January 2025 and registered in the Commercial Register on 6 February 2025.

Financing agreement - Hancom Convertible Loan Facility

On 14 May 2024, the Company entered into two agreements simultaneously, one an investment agreement and the other a collaboration agreement, with Hancom Inc. The investment agreement consisted of:

 Investment by HANCOM of an amount of EUR 5,000,000 which has been materialised through a capitalisable loan. The aforementioned loan accrued an interest rate of 0.2% per annum, and was capitalised through a capital increase by offsetting credits, having agreed a conversion price per share of 2.95 euros.

On 19 August 2024, the Company agreed in an Extraordinary General Meeting to increase capital by offsetting credits for the aforementioned loan of 5,001,306 euros.

Notification date	Amount	Conversion (shares)	Exercise price	Par value	Issue premium	Capital	Issue premium	Other Equity instruments
19/08/2024	5.001.306	1.695.358	2,95	0,04	2,91	67.814	2.576.944	2.356.548

- In addition, the share premium between the exercise price and the share price at the time of the capital increase has been recorded in the company's equity as another equity instrument for 2,356,548 and transferred to the income statement for the year according to its distribution over the life of the agreement. Of the remaining amount in equity, the corresponding portion has been recognised as a deferred tax liability (Note 12). In addition, the income recognised in the income statement for the year amounts to 497,135 euros (Note 14.d).
- The aforementioned capital increase was notarised on 24 October 2024 and registered in the Mercantile Register on 20 November 2024.

a.2) <u>Share capital and issue premium notarised in previous financial years</u>

The conditions of the share capital issues executed and notarised in previous financial years and performed pursuant to the financing agreements with Nice & Green S.A. were reported in detail in the reports to the Parent Company's individual Annual Financial Statements for the relevant financial years. Section a.1) above also contains a breakdown of the impact of the share issues and capital increases on equity in the 2024 and 2023 financial years.

a.3) Significant holdings

Pursuant to Article 228 of the Consolidated Text of the Securities Market Act adopted by Royal Legislative Decree 4/2015 of 23 October and to Circular 3/2020 of BME Growth, as at 31 December 2024 the following shareholders held a percentage of the Company's share capital equal to or greater than 5%:

	%	%
	12.2024	**12.2023**
Nice & Green S.A.	19,10%	18,67%
Hancom	6,98%	--
Javier Mira Miró (*)	3,23%	2,07%
Juan Alfonso Ortiz Company (**)	3,15%	0,51%

(*) 5.06% (5.85% in 2023) taking into account 141,470, 35,196, 33,000 and 235,001 shares deposited with Nice & Green.

(**) 4.83% (5.58% in 2023) taking into account 150,586, 26,080, 43,666 and 235,001 shares deposited with Nice & Green.

All shares issued are fully paid up. There are no restrictions on their free transferability, except those deposited with Nice & Green S.A. as a guarantee.

b) Treasury stock

The total amount of treasury stock held as at 31 December 2024 is 341,646 euros (393,977 euros at 31 December 2023) represented by 198.147 shares (158.499 shares at the end of the previous financial year), the equivalent of 0.82% (0.75% in 2023) of the Company's share capital. This is well below the maximum limit of 10% provided for in article 509 of the Corporate Enterprises Act.

On 27 February 2020 the General Meeting approved a motion to authorise the Board of Directors to acquire treasury stock in the following terms:

- For a maximum of five (5) years from adoption of the agreement.
- Up to a maximum of 10% of the share capital.

- When the shares are acquired for a consideration the price may vary by +/- 10% of the market value on the acquisition date.

The following are the share movements during the 2024 financial year:

	2023	Purchases	Sales	2024
Cost of treasury shares	393.977	379.559	431.889	341.646

The following are the share movements during the 2023 financial year:

	2022	Purchases	Sales	2023
Cost of treasury shares	454,079	450,744	510,846	393,977

The Company sold treasury shares during the 2024 financial year for a loss of 118.778 euros (a loss of 50.206 euros as at 31 December 2023) recognised against *Voluntary Reserves.*

c) Reserves and outcome of previous financial years

The following is a breakdown of reserves at the end of the 2024 and 2023 financial years:

	Euro	
	2024	**2023**
Legal reserve	139.462	139.462
Voluntary reserves	314.640	661.721
Ecertic merger reserves (Note 1.c)	(592.985)	(592.985)
Total	**(138.883)**	**208.198**

<u>Legal reserve</u>

In accordance with the provisions of article 274 of the Corporate Enterprises Act, companies that obtain liquid profits net of taxes during the financial year shall be obliged to allocate 10% of said profit to a reserve fund that shall reach an amount equal to at least one fifth of the share capital. This reserve may only be used to cover a debit balance on the income statement (if any) and must be replenished when it falls below the stipulated level.

<u>Voluntary reserves</u>

Voluntary reserves, as of 31 December 2024 and 2023, include profits from previous years that were neither distributed nor assigned to mandatory reserves.

These reserves are freely available.

As set forth in the attached Statement of Changes in Net Equity, during the 2024t financial year the sum of 21,975 euros (61,200 euros in previous years) net of taxes has been recognised against these reserves for the cost of issuance and expenses incurred as a result of the capital increases carried out during the year. A loss of 118,778 euros (50,206 euros in loss as at 31 December 2023) was also recognised for the outcome of the treasury stock sale-purchase transactions (see Note 11.1.b), and correction of prior years' errors by reducing reserves by 206,328 (see note 2.g).

d) *Proposed allocation of the outcome of the 2023 financial year*

The following is the proposed application of the outcome of the financial year ended on the 31 December 2024 pending approval by the General Meeting:

Allocation base	**2024**	**2023**
Profit (loss) for the financial year net of corporation tax	(12.380.247)	(2.327.198)
Total allocation base	**(12.380.247)**	**(2.327.198)**
Allocation		
To offset losses from previous financial years	(12.380.247)	(2.327.198)
To statutory reserves	---	---
To voluntary reserves	---	---
Scope of application	**(12.380.247)**	**(2.327.198)**

Allocation of the outcome of the financial year ended on the 31 December 2023 was approved by the General Meeting held on 28 June 2023.

Restrictions on allocation of dividends

The Company is legally obliged to allocate 10% of the profits for the financial year to legal reserves until they reach at least 20% of the share capital. Until it reaches at least 20% of the share capital, this reserve may not be allocated to shareholders.

Once the legal provisions and those of required by the articles of association have been met, dividends charged to profit for the financial year and voluntary reserves may only be allocated if:

- the value of Net Equity is not less than that of shareholder's equity or will not become so as a result of the allocation. Profits assigned directly to net worth may not be subject to direct or indirect allocation. In the event that losses from previous years cause the value of the Company's Net Equity of to fall below that of shareholders' equity, the profits shall be assigned to compensation for said losses.

- if the Company's assets include intangible assets derived from capitalisation of R&D and/or goodwill. In this case, profits may only be allocated if the sum of voluntary reserves is at least equal to the net value of the non-amortised intangible assets.

The Company has not allocated dividends since it was incorporated.

11.2. Subsidies

The following are the amounts and features of the subsidies that appear on the Balance Sheet as at 31 December 2023 and 2024 under the head of *Subsidies, donations and bequests* and movements during this and the previous financial year:

Financial year ended 31 December 2024

Granting body	Year granted	Amount granted	Balance as at 31.12.23	Additions in the financial year	Transferred to Profit (Loss) 31.12.24	Tax effect	Corrections (note 2.g)	Balance as at 31.12.24
CDTI	2018	180.390	6.799	---	(9.065)	2.266	---	---
IMIDCA	2021	110.884	58.214	---	(22.177)	5.544	---	41.581
IMINOD	2021	25.154	11.319	---	(5.031)	1.258	---	7.546
Red.es	2022	1.270.090	553.510	76.289	(212.851)	53.214	126.825*	596.986
PIDI2024_FREC	2024	50.725	---	27.117	(1.733)	(6.346)	---	19.038
INNOVATeiC	2024	43.723	---	12.415	(777)	(2.910)	---	8.728
PIDI2024	2024	50.859	---	21.800	(1.111)	(5.172)	---	15.517
		1.731.825	**629.842**	**137.621**	**(252.745)**	**47.854**	**126.825**	**689.397**

* Net amount of tax effect

Financial year ended 31 December 2023

Granting body	Year granted	Amount granted	Balance as at 31.12.22	Additions in the financial year	Transferred to Profit (Loss) 31.12.23	Tax effect	Balance as at 31.12.23
Europe (H2020)	2016	1,692,600	15,699	---	(20,932)	5,233	---
CDTI	2018	180,390	34,141	---	(36,456)	9,114	6,799
IMIDCA	2021	110,884	74,847	---	(22,177)	5,544	58,214
IMINOD	2021	25,154	15,092	---	(5,031)	1,258	11,319
Red.es	2022	1,270,090	37,843	878,367	(191,810)	(170,889)	553,510
		3,279,118	**177,622**	**878,367**	**(276,406)**	**(149,740)**	**629,843**

H2020 is the largest European funding program for research and innovation projects. It had a total budget of roughly 80,000 million euros for the 2014 to 2020 period. The *SME Instrument* program was specifically designed to promote highly innovative SMEs with a strong appetite for growth and international projection in order to drive their success in the market.

In 2016 the Company entered into an agreement with the European Commission to obtain aid to finance investment in development over a period of two years in the execution of an identification project known as *Facial Recognition in bank security (FACCES)*.

This agreement contained a clause whereby the subsidy would be awarded for a maximum of 1,692,600 euros, the equivalent of 70% of the development budget of 2,418,000 euros.

The associated costs incurred with the eligible project were associated with R&D personnel costs that were capitalised in intangible assets, on the one hand and, on the other, transferred to operating costs. Therefore, the subsidy has both a capital component and an operating component that were distributed between the two in proportions of 19.81% and 80.19% respectively in accordance with the costs incurred by the Company in previous years. In 2023 the Company finished charging the grant to the profit or loss for the year and therefore there was no longer been a charge in 2024.

Furthermore, in 2020, on the occasion of the acquisition of the subsidiary Ecertic Digital Solutions, S.L.U. and subsequent merger, the Company recognised a net amount of EUR 116,168 corresponding to a grant awarded in 2018 for a gross amount of EUR 180,390, to finance the project to develop a digital identity accreditation platform using biometric technology. This grant has been fully taken to profit and loss already in 2024.

The Company received the following subsidies in the 2021 financial year:

- On 30 November 2021 the Valencian Institute of Business Competitiveness (IVACE) approved a subsidy for SME Innovation Projects. Innovation in Electronic, Information and Communication Technologies (EICTs) 2021 for an eligible cost of 162,500 euros and a subsidy of 70,663 euros. The eligible expenses period was from 1 January 2021 to June 30 2022. Subsequently, on 25 February 2022, the Valencian Institute of Business Competitiveness (IVACE) notified the Company that the execution date had been extended until 31 December 2022.
- On 23 December 2021, IVACE approved a subsidy for *R&D Projects in Cooperation (PIDCOP-CV) 2021* for eligible costs totalling 235,615 euros and a grant of 141,369 euros. The eligible expenses period was from 11 March 2021 to 30 June 2022: Subsequently, on 25 February 2022, the Valencian Institute of Business Competitiveness (IVACE) notified the Company that the execution date had been extended until 31 December 2022.

Moreover, during the 2022 financial year the Company has benefitted from a RED.ES, M.P subsidy under the 2021 call for aid aimed at design engineering for research and development in artificial intelligence and other digital technologies and their integration into value chains, for the sum of 1,270,090 euros for investment in personnel costs and a collaboration grant amounting to 1,587,519 euros. In 2024, the Company transferred the costs incurred in the financial year that were capitalised for the gross sum of 76,289 euros (878,367 euros in 2023) to a capital subsidy and transferred directly under the head of *Operating subsidies added to profit for the year* and subsidised costs totalling 40,247 euros (111,382 euros in 2023) allocated directly as an expense for the year to the Income Statement (note 14.d).

Lastly, during the 2024 financial year, the Company was the beneficiary of three grants awarded by the Instituto Valenciano de Competitividad Empresarial (IVACE), corresponding to the 2023 call for grants for research and development projects.

- On 13 December 2024, the Instituto Valenciano de Competitividad Empresarial (IVACE) approved a grant for ‘Proyectos de Innovación de Pyme. (PIDI-CV) 2024’ for an eligible cost of 162,523.50 euros and a grant of 50,725.42 euros. The eligible period of expenditure runs from 1 January 2025 to 30 December 2025.

- On 13 December 2024 the Instituto Valenciano de Competitividad Empresarial (IVACE), approved a grant for ‘Proyectos de Innovación de Pyme. (PIDI-CV) 2024’ for an eligible cost of 160,9445 euros and a grant of 50,859 euros. The eligible period of expenditure runs from 1 January 2025 to 30 December 2025.

- On 7 November 2024, the Valencian Institute for Business Competitiveness (IVACE) approved a grant for ‘SME Innovation Projects. Innovation in Teics (INOVATeiC-CV) 2024’ for an eligible cost of 124,939 euros and a grant of 43,729 euros. The eligible period of expenditure runs from 1 January 2024 to 30 June 2025.

NOTE 12. FINANCIAL LIABILITIES

12.1 Analysis by category

The following is the classification of financial liabilities by category and class as at 31 December 2023 and 2024:

	Euro			
	Debt with credit institutions		Derivatives and others	
	2024	2023	2024	2023
Long-term financial liabilities:				
Valued at amortised cost:				
- Bank loans and credit lines	905.151	2.927.486	---	---
- Financial leasing creditors (note 6)		83.908	---	---
- Other financial liabilities	---	---	---	---
- Trade and other payables	---	---	1.835.559	
Total long-term	**905.151**	**3.011.394**	**1.835.559**	**---**
Financial liabilities and other accounts payable				
Valued at amortised cost:				
- Bank loans and credit lines	9.171.315	8.603.348	---	---
- Financial leasing creditors (note 6)	83.908	92.287	---	---
- Trade creditors and other accounts payable (*)	---	---	11.996.828	9.740.791
- Other financial liabilities	---	---	2.148.801	1.466.715
Entered at fair value with restatement in the IS:				
- Derivatives (note 11.1.a.3)	---	---	---	---
Total short-term	**9.255.222**	**8.695.635**	**14.145.629**	**11.207.50**

(*) Does not include balances with government agencies.
(**) Long-term balances payable to commission agents associated with non-current customer balances.

12.2 Bank loans and credit lines

The following is a breakdown of the debts with credit institutions as at 31 December 2023 and 2022:

	Euro			
	2024		2023	
	Short-term	Long-term	Short-term	Long-term
Bank loans and credit lines	8.843.657	905.151	8.403.264	2.927.486
Credit cards	34.223	---	60.999	---
Uncollected accrued interest	293.435	---	139.085	---
Total	**9.171.315**	**905.151**	**8.603.348**	**2.927.486**

The following is a breakdown of the most important conditions of the financial loans in effect as at 31 December 2023 and 2024:

			Euro			
			31.12.24		31.12.23	
Type of transaction	**Maturity**	**Limit**	**Short-term**	**Long-term**	**Short-term**	**Long-term**
Loan (1)	03.04.28	1.000.000	167.188	405.782	163.256	573.000
Syndicated loan A	12.12.25	6.000.000	1.532.035	---	1.380.073	1.532.034
Syndicated loan B	12.12.25	5.000.000	5.000.000	---	5.000.000	---
Syndicated loan C	12.12.25	2.000.000	1.488.258	---	1.182.387	---
COFIDES loan	21.07.26	500.000	333.333	---	500.000	---
Loan (2)	08.05.27	1.000.000	322.843	499.369	177.548	822.452
		Total	**8.843.657**	**905.151**	**8.403.263**	**2.927.486**

(1) ICO PYMES loan On 3 May 2021 the Company obtained an extension of the grace period for repayment of the principal and extension of maturity.

(2) The ICO PYMES loan executed in 2023 with entry into effect on 8 May 2023. Associated with the RED.ES grant.

The interest rate on debts with credit institutions is the Euribor plus a margin considered to be consistent with market rates. As at 31 December 2024, the Company has recognised the sum of 293,435 euros as accrued interest pending collection (139,085 euros as at 31 December 2023).

The average interest rate on long-term debts with credit institutions as at 31 December 2024 is 5.29% (5.92% in the previous financial year).

Syndicated financial restructuring agreement

On 14 December 2020 the Company reached a syndicated credit line agreement with a limit of 13 million euros with Banco Santander, CaixaBank, Banco Sabadell and Deutsche Bank, structured in three tranches:

- TRANCHE A, nominal sum of € 6 million for 5 years with half-yearly amortisation.

- TRANCHE B, Ordinary revolving credit. Nominal sum of 5 million euros for three years plus two potential 1-year renewals. The drawn-down balance of this tranche is reported in Short Term Liabilities since it is subject to annual renewal by mutual consent of the parties.

- TRANCHE C, revolving credit (bilateral contracts). Nominal sum of two million euros for three years with two annual renewals of up to 5 years. The drawn-down balance of this tranche is reported in Short Term Liabilities since it is subject to annual renewal by mutual consent of the parties.

The interest rate applicable to each settlement period will be Euribor + an initial 2.5% margin. This margin will vary depending on the variation in the net financial debt/EBITDA ratio at the end of each established review period.

Without prejudice to the net-worth personal liability of the Company for its participation in the aforesaid contracts, pledge rights in rem have been constituted on the credit rights of the operating current accounts and the transitory amortisation account associated with the loan (see Note 10). Along the same lines, as a guarantee for the above obligations Company has established a movable property mortgage on its trademarks, which are valued at 2,244,829 euros.

The debt issuance conditions related to the syndicated loan entail compliance with various annual ratios determined on the basis of net financial debt and financial expenses, both with respect to EBITDA, calculated using the information set forth in the Company's financial statements. As at 31 December 2024, the Company had not met the ratio established in the aforesaid financing agreement and therefore requested a waiver from the financial entity on 13 December 2024, which was granted on 5 February 2025 of the same year.

COFIDES loan

On 26 June 2023 the Company entered into a financing agreement with Compañía Española de Financiación del Desarrollo, COFIDES, S.A. for development of an investment project in the U.K. consisting of commercial establishment in said country by means of its subsidiary Facephi Beyond Biometrics, Ltd (the Project Company). The contract set up a financing facility in the form of a three-year loan of a maximum of 500,000 euros. On 5 July 2023 the Company requested withdrawal of the total amount, which was received on 21 July 2023. The loan will be amortised in six identical payments per half year.

The interest rate applicable to each settlement period will be Euribor + a margin. This margin consists of a fixed rate of 2.5% + a variable rate of +/- 5% depending on the net turnover of the Project Company.

The conditions related to the COFIDIS loan entail compliance with various annual ratios determined on the basis of net financial debt and financial expenses, both with respect to EBITDA, calculated using the information set forth in the Company's financial statements. As at 31 December 2023 and 2024 the Company had not met the aforesaid ratios, which means that the long-term principal loan amount of 166,667 euros was classified in short-term debt on the 31 December 2024, 333,333 euros at that date (500,000 euros at 31 December 2023).

12.3 Trade creditors and other accounts payable in short- and long-term

The following is the breakdown of this item on the Balance Sheet as at 31 December:

	Euro	
	2024	2023
Non-current trade suppliers	1.835.559	---
Total non-current trade suppliers	**1.835.559**	---
Suppliers	6.178.307	3.640.986
Suppliers, group and associated companies (Note 16.b)	421.404	175.828
Trade receivables for provision of services	(92.945)	(93.305)
Creditors, invoices pending receipt	3.663.502	5.572.192
Personnel	1.809.312	620.918
Other debts with public agencies (Note 13.1)	2.622.562	556.753
Customer advances	17.248	---
Total trade creditors and other accounts payable	**14.619.390**	**10.473.071**

12.4 Other short- and long-term financial liabilities

The following is a breakdown of other short-term financial liabilities as at the end of the 2023 and 2024 financial years:

	Euro			
	Short-term		Long-term	
Type of transaction	**2024**	**2023**	**2024**	**2023**
Debts convertible to subsidies	83.980	222.807	--	--
Nice & Green loans	2.066.540	1.243.482	---	---
Others	(2.147)	427	---	---
Total	**2.150.947**	**1.466.716**	**---**	**---**

As at 31 December 2024, the Company has entered into two financial transactions with Nice & Green S.A. for a total of 2.1 million euros as shown in the following breakdown:

1,500,000 euros pending conversion arising from payments made by the investor on 2 October, 29 October and 29 November 2024. As this is a financial instrument at amortised cost, the Company records the implicit financial expenses considering the 12 months from each cash drawdown, as it is not known after issue when it will be converted by the investor. The outstanding implicit interest recognised at 31 December 2024 pending conversion amounts to EUR 19,366. This disbursement of 1,500,000 euros, together with an additional 500,000 euros disbursed on 3 January 2025, forms part of a loan granted by the main shareholder Nice & Green, S.A., which at the date of preparation of these annual accounts has agreed with the company to capitalise together with the accrued interest under the following conditions: the VWAP of the five (5) business days immediately prior to 2 April 2025 at a conversion price of 2.43 euros per share. (Note 20).

600,000 euros corresponding to the fourth and last conversion of 60 debentures of 10,000 euros par value each that remained outstanding from the issue for an amount of 2,400,000 euros. On 10 January 2025 Nice & Green, S.A. notified this fourth and final conversion of 600,000 euros (60 debentures of 10,000 euros par value each), which was notarised on 16 January 2025, and the amount of 365,163 shares for the conversion at 1.64 euros per share was registered in the Mercantile Register on 11 February 2025. (Note 20)

12.5 Analysis by maturity

At 31 December 2024, the amounts of non-current financial liability instruments with a specific or determinable maturity classified by year of maturity are as follows:

	Non-current financial liabilities				
	2026	**2027**	**2028**	**Subsequent years**	**Total**
Amounts owed to credit institutions	518.315	327.511	59.325	---	905.151
Creditors financial leasing		---	---	---	---
Non-current trade suppliers	1.835.559	---	---	---	1.835.559
Total	**2.353.874**	**327.511**	**59.325**	---	**2.740.710**

As at 31 December 2023:

	Non-current financial liabilities				
	2025	**2026**	**2027**	**Subsequent years**	**Total**
Amounts owed to credit institutions	2.022.187	518.315	327.511	59.473	2.927.486
Creditors financial leasing	83.908	---	---	---	83.908
Total	**2.106.095**	**518.315**	**327.511**	**59.473**	**2.927.486**

12.6 Information on the average supplier payment period. Third additional provision. "Duty of information" of Law 15/2010, of 5 July.

In compliance with the duty of information established in the third additional provision of Law 15/2010 (amended by the second final provision of Law 31/2014 of 3 December), which establishes measures to combat late payment in commercial transactions, below is information on the average payment period to suppliers in commercial transactions, prepared in accordance with the Resolution of the ICAC of 29 January 2016:

Concept	2024 Days	2023 Days
Average supplier payment period	68	47
Ratio of paid transactions	54	43
Ratio of transactions outstanding	101	61
	Euros	
Total payments made	15.691.819	13.028.247
Total outstanding payments	6.461.303	4.101.488

	2024	2023
Number of invoices		
Total number of paid invoices	3.890	2.978
Number of invoices paid within the legal deadline	3.403	2.828
%	87%	95%
Amount in euro		
Total amount of invoices paid	15.691.819	13.028.247
Amount of invoices paid within the legal deadline	10.617.069	10.210.105
%	68%	78%

For these purposes only, the concept of trade payables includes the items of suppliers and sundry creditors for debts to suppliers of goods or services, which are included in the scope of the regulation on statutory payment periods. Net purchases and expenses for external services comprise the amounts recognised as such in accordance with the Spanish National Chart of Accounts.

NOTE 13. TAXES AND TAX POSITION

13.1 Balances with general government

The breakdown of the balances payable to general government at year-end is as follows:

	Euros			
	2024		2023	
	Assets	Liabilities	Assets	Liabilities
Deferred tax assets (note 13.4)	**1.795.844**		**4.901.032**	
Public Treasury debtor for:				
- V.A.T.	627.497		308.677	
- Other			143	
Other Public Administrations: Sub.	1.415.403		1.480.518	
Other credits with Public Administrations	**2.042.**		**1.789.**	
Deferred tax liabilities (note 13.4)		**694.652**		**209.947**
Bodies Social security creditors		364.192		312.281
Public Treasury creditor for:				
-Withholdings of personal income tax.		732.925		322.
-V.A.T.		1.525.387		(78.351)
Other debts with Public Administrations		**2.622.562**		**556.453**
Current tax assets / Current tax liabilities	**1.624.899**	**---**	**(733)**	**---**

**The directors consider that there are no doubts as to the recoverability of this balance, as the conditions stipulated in the concession have been met and the justification has been presented, pending its receipt in the financial year 2025.*

13.2 Years open for audit and audits

Under current legislation, taxes cannot be considered finally settled until the returns have been inspected by the tax authorities or the four-year statute of limitations period has elapsed. As at 31 December 2024, the Company has all major taxes applicable to it since 31 December 2020 open for inspection by the tax authorities.

The Company's management considers that it has properly assessed all taxes applicable to it. However, in the event of an inspection, discrepancies could arise in the interpretation given by management to current legislation in relation to the tax treatment of certain transactions and, therefore, additional tax liabilities could arise. However, management does not expect that such liabilities, should they materialise, would have a material effect on the Company's financial statements.

13.3 Reconciliation of the accounting result and current income tax expense

Corporate income tax is calculated on the basis of the economic or accounting result obtained by applying generally accepted accounting principles, which does not necessarily have to coincide with the tax result, the latter being understood as the tax base.

The reconciliation of the accounting result to the taxable income for corporate income tax purposes is as follows:

	Euros			
	Increase	**Decrease**	**2024**	**2023**
Accounting profit for the year before tax		**(10.826.588)**	(10.826.588)	(5.072.717)
Permanent differences:				
Other non-deductible expenses	42.213		42.213	13.932
-Other non-deductible expenses (Tax Lease A&D)	508.627		508.627	
Other non-deductible expenses (Impairment of shareholding and credit to the subsidiary)	5.076.484		5.076.484	
-Changes in the fair value of financial instruments and financial charges (note 11.1. a.1)				268.802
Income/ (Expense) recognised in equity				
-Capital increases (note 11.1.c)		(29.300)	(29.300)	(83.200)
Tax base	**550.840**	**(10.855.888)**	**(5.228.564)**	**(4.873.183)**
Taxable base (25%)			---	(1.218.296)
Deductions applied international double taxation				
-Current year			---	---
-Previous years			---	---
Positive net quota			---	---
Withholdings and payment on account			---	---
Amount to be paid (refunded)			**---**	**---**

The amortisation expense of the intangible fixed assets of TAX LEASE is included as a permanent difference, as this expense is not deductible for tax purposes, as it is considered that the EIG is already deducting it and, due to the symmetry of operations, the Company cannot deduct it.

The permanent differences correspond, at year-end 2024 and 2023, to the consideration as non-deductible expenses of penalties and surcharges, as well as the change in fair value of financial instruments (derivatives), and the impairment of the shareholding and credit to the subsidiary (note 8), or financial expenses related to the different capital increases as reported in note 11.1.

The accounting expense / (income) for corporate income tax for the years 2024 and 2023 has been calculated as follows:

	Euros	
	2024	2023
Recognition of withholding tax deductions	---	579.375
Application/(Activation) of current year deductions	---	(579.375)
Share of tax base-Expenditure / current (income)	---	(1.218.296)
Application of tax credit Tax loss carryforwards Facephi	---	---
Recognition for Deductions	(1.561.856)	(1.657.744)
Current tax expense / (income)	**(1.561.856)**	**(2.876.040)**
Tax credit for capital increase expenses	7.325	20.800
Deferred tax expense/(income)	**7.325**	**20.800**
Derecognition/ (Recognition) deductions and tax credits change estimate (note 13.4)	**3.108.191**	**109.720**
Total Corporate Income Tax Expense / (Income) Tax Expense	**1.553.659**	**(2.745.520)**

13.4. Deferred Tax Assets and Liabilities

Deferred tax assets

In accordance with the principle of prudence, deferred tax assets relating to deductible temporary differences, tax loss carryforwards and unused tax credits and other tax benefits are only recognised to the extent that it is probable that future taxable profits will be available to the Company that will allow these assets to be utilised.

Deductions from quota to be applied

At 31 December 2024 and 2023, the detail of the deductions pending application according to the corporate income tax returns filed and the tax forecast for the current year is as follows:

As of 31 December 2024:

Concept	Generation year	2023	Generated	Monetisation	Change of estimate	2024
International double taxation	2018	57.862	---	---	(57.862)	---
R&D fusion ECERTIC	2018	97.364	---	---		97.364
Research and development	2019	90.089	---	---		90.089
International double taxation	2020	205.158	---	---	(205.158)	---
Research and development	2020	208.398	---	(208.398)		---
Film productions	2020	126.632	---	---	(126.632)	---
International double taxation	2021	316.078	---	---	(316.078)	---
Research and development	2021	245.391	---	(230.484)	26.150	41.057
International double taxation	2022	97.648	---	---	(97.648)	---
Deduction for donations (35%)	2022	998	---	---		998
Research and development*	2022	1.657.744	---	---	(32.845)	1.624.899
International double taxation	2023	579.375	---	---	(579.375)	---
Deduction for donations (35%)	2023	4.480	---	---		4.480
Research and development	2023	---	1.561.857	---		1.561.857
International double tax	2024	---	507.142	---	(507.142)	---
	Total	**3.687.217**	**2.068.999**	**(438.882)**	**(1.896.590)**	**3.420.744**

*amount included under current tax assets, as the company requested the monetisation of this amount in the 2023 IS and it has been paid in January 2025.

As at 31 December 2023:

Concept	Generation year	2022	Generated	Applied	Change of estimate	2023
International double taxation	2018	57.862	---	---	---	57.862
R&D fusion ECERTIC	2018	97.364	---	---	---	97.364
Research and development	2019	90.089	---	---	---	90.089
International double taxation	2020	205.158	---	---	---	205.158
Research and development	2020	260.497	---	---	(52.099)	208.398
Film productions	2020	126.632	---	---	---	126.632
International double taxation	2021	316.078	---	---	---	316.078
Research and development	2021	303.012	---	---	(57.621)	245.391
International double taxation	2022	97.648	---	---	---	97.648
Deduction for donations (35%)	2022	998	---	---	---	998
Research and development	2022	---	1.657.744	---	---	1.657.744
International double taxation	2023	---	579.375	---	--	579.375
Deduction for donations (35%)	2023	---	4.480	---	---	4.480
	Total	**1.555.337**	**2.241.599**	**--**	(109.720)	**3.687.217**

Double taxation deductions relate to withholding taxes levied on sales made in Latin American countries, where the Company mainly sells its products.

In 2023, the Company recognised the R&D&I deduction for 80% of the value of the MVI and the amount recognised in the income tax settlement for the deductions in 2022. The Company recognised 80% of these deductions in the balance sheet for an amount of 1,657,744 euros, as it was going to request the monetisation of this amount. In addition, based on the same criteria, the R&D&I deductions generated in 2020 and 2021 initially recognised at 100% were reduced in 2023 by 109,720 euros, as the monetisation of these deductions was to be included in the 2022 corporate income tax return.

In 2024, the Company has recognised the R&D&I deduction for 80% of the value of the MVI and the amount recognised in the income tax settlement for the deductions in 2023. The Company has recognised 80% of these deductions in the balance sheet in the amount of 1,561,856 euros, as it expects to apply for the monetisation of this amount.

At 31 December 2024, the Company has recognised deferred tax assets for a total amount of Euros 1.7 million (Euros 4.9 million at 31 December 2023) on the recognition of the R&D&I deduction for 80% of the value of the Binding Reasoned Report as the Company expects to request the monetisation of this amount. In 2023 it had also recognised tax loss carryforwards and deductions pending application, which were derecognised in 2024 (see note 13).

These estimates are made on the basis of the best information available at 31 December 2024 on the events analysed. However, it is possible that future events may make it necessary to change these estimates (upwards or downwards) in future years, which would be done prospectively in accordance with the provisions of Rule 22 of the Spanish National Chart of Accounts, recognising the effects of the change in estimate in the corresponding profit and loss account.

During 2024, the Company derecognised deferred tax assets related to tax loss carryforwards (as shown in the following section) and unused tax credits given the losses of the last two years, and as a matter of prudence, as their recoverability is subject to the achievement of the estimates in the business plan. However, the Company's management and Board of Directors expect to generate tax benefits in a very short period of time against which to apply these credits and deductions and will therefore re-estimate their recognition in the balance sheet.

Tax credits for tax losses

The Company has the following tax loss carryforwards to offset against future taxable profits:

31 December 2024:

	Euros				
Year of generation	**Basis pending 2023**	**Generated 2024**	**Compensation 2024**	**Basis pending 2024**	**Tax credit**
Financial year 2024		5.228.564		5.228.564	**---**
Financial year 2023	4.873.183	--	---	4.873.183	---
Total	4.873.183	**5.228.564**	**---**	**10.101.747**	**---**

31 December 2023:

	Euros				
Year of generation	**Basis pending 2022**	**Generated 2023**	**Compensation 2023**	**Basis pending 2023**	**Tax credit**
Financial year 2023	---	4.873.183	---	4.873.183	1.218.296
Total	**---**	**4.873.183**	**---**	**4.873.183**	**1.218.296**

Deferred tax liabilities

At 31 December 2024 and 2023, the Company includes under this heading the temporary differences arising from grants received and transferred to profit or loss for the year.

The movement in this heading during the financial years 2024 and 2023 is as follows:

	Euros	
	2024	**2023**
Opening balance	**209.947**	**59.207**
Temporary differences generated / (reversed) by:		
- Capital grants awarded (note 11.2)	25.763	171.889
- Capital grants transferred to profit or loss (note 11.2)	(63.186)	(21.149)
- Other (Note 11.a)	464.853	---
- Capital grants correction (note 11.2)	42.275	--
- Conversion differences	---	(4.885)
Closing balance	**679.652**	**209.947**

NOTE 14. INCOME AND EXPENSES

a) Net turnover

Turnover from the Company's ordinary activities is distributed geographically as follows:

	%	
Market	**2024**	**2023**
Spain	0,81	1,91
Rest of European Union	---	---
Other countries	99,19	98,09
Total	**100,00**	**100,00**

Similarly, net turnover can be analysed by business line as follows:

	%	
Line	**2024**	**2023**
Service provision	100	100
Total	**100**	**100**

At 31 December 2024, the Company has recognised an amount of 732,148 euros (1,131,801 euros at 31 December 2023) under "Short-term accruals" on the current liabilities side of the accompanying balance sheet, corresponding to the estimated income from support and maintenance, provision of SaaS (cloud) services, the accrual of which has not yet been made.

It is worth mentioning that due to various licensing delivery contracts with long-term invoicing, financial income is generated, but of a commercial and business nature, as a result of the recognition of income at the present value thereof. The amount accrued as financial income in the financial year 2024 amounts to EUR 602 thousand (EUR 311 thousand in the financial year 2023), of which EUR 502 thousand relates to the allocation of the net present value of the various customer balances from the long term to the short term.

b) Procurement

This item in the income statement includes the costs incurred for the licensed use of certain computer programs and software necessary for the development of products that the Company will subsequently market under licence, reflecting at 31 December 2024 an amount of 7,226,801 euros (5,033,367 euros in 2023).

c) Work carried out by the company for its assets

	Euros	
	2023	**2023**
Work carried out by the company for its assets	4.584.481	4.170.850
Total	**4.584.481**	**4.170.850**

The Company has continued to develop improvements and new revisions to its software applications, which has led to the capitalisations in the Company's intangible assets of the amounts detailed in the table above (see note 4).

d) Other operating income

- ***Ancillary and other current revenues***

	Euros	
	2024	**2023**
Income from services to	85.731	64.874
Income from sales tax deductions (TAX LEASE)	1.922.759	---
Sale of software distribution rights to related parties	711.865	---
Royalty income	497.135	---
Total	**3.217.490**	**64.874**

In September 2024, the Company entered into a series of contracts with an investor resulting in temporary assignment of the R&D activity for the development of a project to an Economic Interest Grouping (EIG) set up by the investor. The assignment of the R&D activity was instrumented in such a way that this assignment remuneration for the Company in relation to the project developed in 2024, which has generated income in 2024 amounting to 1,922 thousand euros. In addition, under the aforementioned signed contracts, the Company has the right to recover the R&D activity assigned, and therefore the development costs incurred to generate this R&D are recognised in the Company's intangible assets at 31 December 2024 and are subject to amortisation (see note 4)

Also included are sales of the software licensing distribution right to related parties, and revenues accrued over time during the term of the HANCOM distribution agreement arising from the difference in value between the conversion price and the fair value at the time of the agreement (Note 11a). (Note 11a)

- ***Operating subsidies taken to profit or loss***

In accordance with the criteria described in note 3.10, at 31 December 2024, the Company's management has recognised EUR 40,247 (31 December 2023: EUR 111,382) in the income statement (note 11.2).

e) Staff costs

	Euros	
	2024	2023
Wages, salaries and similar	12.718.711	8.814.050
Indemnities	367.235	110.318
Social security to be paid by the company	2.163.223	1.778.286
Other social expenditure	181.708	126.769
Total	**15.430.877**	**10.829.423**

Wages, salaries and similar items include, at 31 December 2024, an amount of 1,865 thousand euros corresponding to bonuses foreseen and pending payment to the Company's personnel (624 thousand euros at the end of the previous year).

The average number of employees during the year by category is as follows:

	Euros	
	2024	2023
Senior management	2	2
Scientific and intellectual and support technicians and professionals	149	141
Administrative-type employees	44	27
Commercial, sales and similar	7	15
Total average employment	**202**	**185**

Likewise, the distribution of the Company's staff by gender at year-end is as follows:

	2024			2023		
	Men	Women	Total	Men	Women	Total
Executive directors	2	---	2	2	---	2
Scientific and intellectual and support technicians and professionals	132	21	153	124	31	155
Administrative-type employees	15	31	46	14	16	30
Commercial, sales and similar	6	1	7	8	9	17
Total staff at year-end	**154**	**54**	**208**	**148**	**56**	**204**

As of 31 December 2024 and 2023, has 3 employees with a disability of 33% or more .

The average number of employees with a disability of 33% or more for the financial year 2024 was 2 persons (same persons in the financial year 2023).

f) Other operating expenses

The breakdown by year of other operating expenses is as follows:

	Euros	
	2024	**2023**
External services:		
Expenditure on research and development	---	5.000
Leases and royalties (note 6)	696.680	1.083.544
Repairs and maintenance	41.127	26.449
Independent professional services	7.382.566	6.731.099
Transport	---	---
Insurance premiums	186.128	140.308
Banking and similar services	160.143	83.554
Advertising, publicity and public relations	1.201.244	939.890
Supplies	45.767	18.844
Other Services	2.563.642	1.274.703
Tributes	1.597	714
Losses, impairment and changes in provisions for uncollectible trade receivables (note 9)	317.749	1.268.650
Other current operating losses	---	---
Other operating expenses	**12.596.643**	**11.572.755**

g) Foreign currencies: Exchange rate differences

The total amount of assets denominated in foreign currencies amounts to EUR 25,254,531 (EUR 23,362,014 in 2023). The breakdown of the most significant items is as follows:

		Euros	
Element	**Currency**	**2024**	**2023**
Customers (foreign currency)	USD	21.430.315	20.041.109
Treasury (m.e. bank account)	USD	3.587.576	1.498.613
Treasury (cash m.e.)	USD	678	623
Fixed-term deposits (m.e.)	USD	34.017	31.344
Total		**25.052.586**	**23.362.014**

Liabilities denominated in foreign currencies are as follows:

		Euros	
Element	**Currency**	**2024**	**2023**
Creditors (m.e.)	USD	4.910.777	2.906.714
Creditors (m.e.)	GBP	23.412	84.464
	Total	**4.934.189**	**2.991.179**

The amounts of transactions in foreign currencies are as follows:

	Euros	
	2024	**2023**
Services received (USD)	(9.665.039)	(5.166.967)
Services received (GBP)	(238.438)	(415.918)
Sales for services rendered (USD)	27.603.715	23.572.820
Total	**17.700.238**	**17.989.935**

The amount of exchange differences recognised in the profit and loss account for the period, presenting separately those arising from transactions that have been settled during the period and those pending settlement at 31 December 2024 and 31 December 2023 are as follows:

		Exchange rate difference	
Financial instrument	**Currency**	**2024**	**2023**
Negative cash differences	USD	174.571	162.603
Positive cash differences	USD	(3.878)	(1.870)
Negative differences due to customer collections	USD	127.764	265.765
Positive differences due to customer collections	USD	(215.194)	(180.402)
Negative differences due to supplier payments	USD	79.729	43.651
Positive differences on financial institution balances	USD	(8.830)	(551.424)
Negative differences on financial institution balances	USD	11.925	299.484
Positive differences due to supplier payments	USD	(44.670)	(44.008)
Total transactions settled in the year (+) - (+)		**121.417**	**(6.201)**

Financial instrument	Currency	Exchange rate difference 2024	Exchange rate difference 2023
Negative differences due to customer balances	USD	404.912	138.079
Positive differences due to customer balances	USD	(1.069.918)	(114.618)
Negative differences on financial investment balances.	USD	---	---
Positive differences on financial investment balances	USD	---	---
Negative differences due to supplier balances	USD	289.955	16.713
Positive differences due to supplier balances	USD		(37.989)
Total for outstanding transactions (+) / - (+) / (-)		**(375.051)**	**2.185**
Total exchange differences for the year charged (+) / (-)		**(253.633)**	**(4.016)**

NOTE 15. REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

In accordance with the proposal of the Nomination and Remuneration Committee of 23 May 2024, subsequently ratified by the General Meeting of Shareholders on 28 June 2024, the remuneration of the Governing Bodies and the Board of Directors for the financial year 2024 is as follows:

- 721,556, a special bonus of 150,000 euros, plus a variable bonus subject to the evolution of the net turnover.
- For Board remuneration: an amount of 390,000 euros for the remuneration of the members of the Audit Committee and the Appointments and Remuneration Committee.

Under these agreements, the remuneration accrued as at 31 December 2024 and 2023 was as follows:

a) *Remuneration of members of the Board of Directors and Senior Management.*

During the financial years 2024 and 2023, the members of the Board of Directors, some of whom form part of the Senior Management, have accrued the following amounts in statutory and salary remuneration, including Board expenses and allowances, remuneration in kind and civil liability insurance premiums for executives and Directors:

	Euros	
	2024	2023
Remuneration		
Remuneration-Senior Management	1.181.939	660.000
Variable remuneration-Senior Management	1.500.000	---
Board and Audit and Remuneration Committee Per diems	416.672	390.000
Other remuneration	62.599	68.266
Other remuneration	315.000	---
Insurance premiums	13.729	16.961
Total remuneration	**3.489.939**	**1.135.227**

There are no advances or financial loans granted to directors, nor pension obligations to members of the Board of Directors or senior management.

b) Directors' conflicts of interest situations

In their duty to avoid situations of conflict of interest with the interests of the Company, during financial year 2024, the Directors who have held positions on the Board of Directors have complied with the obligations set forth in article 228 of the revised text of the Spanish Companies Act (Ley de Sociedades de Capital). Likewise, both they and the persons related to them have refrained from incurring in the cases of conflict of interest envisaged in article 229 of said law, except in those cases, none in the current financial year, in which the corresponding authorisation has been obtained.

NOTE 16. BALANCES AND TRANSACTIONS WITH GROUP COMPANIES AND OTHER RELATED PARTY TRANSACTIONS

For the purposes of the presentation and preparation of these annual accounts, it has been considered, in accordance with the financial reporting framework identified in note 2, that another company forms part of the group when both are linked by a direct or indirect control relationship, analogous to that provided for in article 42 of the Commercial Code for groups of companies or when, in accordance with the 13th and 15th rule for the preparation of annual accounts, the companies are controlled by any means by one or more natural or legal persons, acting jointly or under single management by agreements or clauses in the articles of association.

In this regard, and as reported in note 1, the list of group and related companies of the Company in these cases is as follows at 31 December 2024 and 2023:

Company of the Commercial Group (Art. 42 C.Com.)	% share	Address	Main activity
FacePhi Biometría, S.A.	Dominant Soc.	Alicante- Spain	Commercialisation of facial biometrics solutions
FacePhi APAC, LTD	100%	Pangyo (South Korea)	Commercialisation of facial biometrics solutions
Celmuy Trading, S.A.	100%	Montevideo (Uruguay)	Marketing and support of facial biometrics solutions
FacePhi Beyond Biometrics Ltd. [()] [(1) ()]	100%	London (UK)	Commercialisation of facial biometrics solutions
FacePhi Biometric Solutions Brasil Softwares Ltda.[() (2) ()]	100%	Sao Paulo (Brazil)	Commercialisation of facial biometrics solutions

(1) Company incorporated on 26 May 2022 in the United Kingdom (see note 8).
(2) Company incorporated on 10 July 2024 in Brazil (see note 8).

a) Financial investments in Group companies

Details of short-term and long-term financial investments in Group companies are shown in note 8.

b) Balances and commercial transactions with Group and related companies

Details of the Company's transactions with related parties in 2024 and 2023 are as follows:

	Euro [(*)]	
	Other services	
	2024	2023
Group companies:		
Celmuy Trading, S.A	(2.440.150)	(1.656.096)
Facehi Beyond Biometrics, LTD	--	--
Total group companies	(2.440.150)	(1.656.096)

(*) Income / (Expenditure)

Commercial transactions with related parties are negotiated on an arm's length basis.

Details of balances held with group companies, except for the financial investments and financial receivables detailed in note 8, in financial years 2024 and 2023 are as follows:

	Euros			
	Debit balances		Credit balances	
	2024	2023	2024	2023
Facehi Beyond Biometrics, LTD	---	-	---	---
Celmuy Trading, S.A	---	---	421.404	175.828
Total group companies	**--**	**--**	**421.404**	**175.828**

NOTE 17. ENVIRONMENTAL INFORMATION

The Company has no significant assets included in property, plant and equipment for the minimisation of environmental impact and the protection of the environment, nor has it incurred significant expenses during the year for the protection and improvement of the environment.

As of today's date, there are no known contingencies related to the protection and improvement of the environment and their possible impact on the Company's results and equity position.

No subsidies of an environmental nature have been received.

NOTE 18. PROVISIONS AND CONTINGENCIES

The Parent Company has granted guarantees to secure the performance of the service and licensing contracts entered into with some of its customers. Details of these guarantees at 31 December are as follows:

			Euros	
Broadcast	**Expiration**	**M.E**	**31.12.24**	**31.12.23**
08/07/2021	20/09/2026	USD (*)	34.017	33.133
15/03/2023	30/07/2024	USD	---	16.290
04/01/2022	indefinite	USD	9.626	9.050
10/09/2024	10/09/2025	USD	72.192	---
11/02/2022	25/08/2024	USD	---	23.119
29/4/2024	01/04/2025	USD	82.972	---
02/07/2024	29/07/2025	USD	83.065	---
12/04/2023	01/04/2024	USD	---	101.357
		Totals	**281.872**	**258.739**

((*)) (Pledged to a fixed-term deposit of USD 35,500 (note 9))

NOTE 19. OTHER INFORMATION

a) Audit fees

On 30 June 2023, it was agreed at the Board Meeting to appoint Ernst & Young S.L. as auditors for the years ending 31 December 2023, 2024 and 2025.

Details of the fees accrued for the various services contracted with the auditors, irrespective of the time of invoicing, are as follows:

	Euros	
	2024	**2023**
Audit services:		
• Audit of the individual annual accounts	38.480	57.000
• Audit of the consolidated annual accounts	17.056	16.400
Other audit-related services:		
• Review of consolidated interim financial statements as at 30.06.	23.504	22.600
Other accounting verification services	2.496	2.400
Other special reporting services	10.000	-
Total professional services	**91.536**	**98.400**

As at 31 December 2024 no fees have been accrued by other companies of the firm E&Y as a result of tax advisory services, special reports, other verification services or other services (also as at 31 December 2023 by the former auditor).

b) Off-balance sheet arrangements

There are no off-balance sheet agreements or contractual arrangements for which information has not been disclosed elsewhere in the notes to the financial statements and their possible financial impact, provided that such information is material and helpful in determining the Company's financial position.

NOTE 20. EVENTS AFTER THE BALANCE SHEET DATE

On 10 January 2025 Nice & Green, S.A. notified the fourth and last conversion of 600,000 euros (60 debentures of 10,000 euros nominal value each) that remained outstanding from the issue of 2,400,000 euros (note 12), related to the convertible debenture financing agreement, under the following conditions:

Date of notification	Amount	Conversion (shares)	Exercise price	Nominal	Issue premium	Capital	Issue premium
10/01/2025	600.000	365.163	1,6431	0,04	1,6031	14.607	585.393

With regard to the conversion of these 600,000 euros, it was notarised on 16 January 2025 and registered in the Commercial Register on 11 February 2025.

On 3 January 2025, Nice & Green, S.A. proceeded with the disbursement of 500,000 euros corresponding to the last of the four tranches of the Loan of 2 million euros granted on 30 September 2024. (Note 12)

At the date of formulation of the annual accounts, Nice & Green, S.A. and Facephi are closing the agreement for the capitalisation of the aforementioned Loan of 2 million euros, together with the accrued interest, with the following conditions: 103% of the VWAP of the five (5) business days immediately prior to 2 April 2025, which corresponds to a conversion value of 2.43 euros per share.

The Company's Board of Directors considers that, in addition to the aforementioned events, no other subsequent events have occurred that are relevant to the information contained in these annual accounts.

Alicante, 31 March 2025.

MANAGEMENT REPORT

FacePhi, leader in digital identity verification

FacePhi is a company that has been marketing digital identity solutions for more than 10 years. With a wide experience in the financial sector, it provides high value solutions with the sale of products such as: Onboarding, applied in user registration processes or contracting new products, automatically captures the information of the document verifying the face of the person in front of a selfie, demonstrating the veracity and vividness of the customer; and Authentication, applied in access and loyalty processes of procedures (1-1) and (1-N).
These solutions are marketed through a licensing model that can be: pre-purchase, where the client contracts in advance a package of licences available for consumption, thus renewing that volume once they have been used; or post-consumption, where the client has the technology, enjoys it, and is invoiced according to the use made in a given period of time, with the cadence agreed in the contract (normally quarterly). These solutions can be deployed in both SaaS and Onpremise environments.

Facephi is an expert in digital user identity verification that specialises in digital onboarding and biometric authentication solutions. Our mission is to create more secure, accessible and fraud-proof digital processes. To do so, we rely on innovation with artificial intelligence, machine learning, application of blockchain technology and the introduction of decentralised digital identity.

With head offices in Spain and subsidiaries in South Korea, Uruguay, United Kingdom and Brasil, FacePhi is equipped with a multidisciplinary team determined to provide the best technology to its customers wherever they may be.

FacePhi develops its technology with the aim of providing the best user experience and obtains the customer’s prior knowledge and consent to identification. Thus, the firm complies with its own strict ethical standards and with the KYC, AML and GDPR regulations. Today, the company that began life as the sector leader in the financial industry, one of the most demanding segments in terms of security, now operates in many others including insurance, healthcare, public administration, travel and transport, sporting events and collective mobility.

Facephi now has more than 300 million use transactions worldwide, more than 350 customers and a retention rate of over 95%.

Our new product, **Facephi Identity Platform**, is a modular platform available in several different architectures and is capable of combining various biometric solutions in the same tool. It provides enhanced adaptability to needs in regulatory compliance-related aspects and to the idiosyncrasies of each country, industry or use case to which it is applied.

Users will be able to select and combine biometric solutions including facial, periocular, fingerprint, voice, digital signature and behavioural aspects, read official identity documents, validate their authenticity and provide proof of life by means of passive liveness on the platform in addition to verifying their digital identity.

The development of this customisable, code-free platform represents an important leap forward for the company, which moves on from providing individual biometric solutions to facilitating a tool that enables each company or organisation to design a customised solution that meets their particular needs, including their digital onboarding and authentication processes. This modular solution incorporates real-time operational control, a dashboard with the key performance indicators (KPIs) and transaction and statistical logging, among other functions.

FacePhi performs **regular internal audits** of its products and services through its QA Department. Even so, the Parent Company has submitted its processes to various external audit and certification procedures that attest to our desire to improve and refine our technology.
External audits:
FacePhi's systems and technologies are subjected to regular audits of compliance with the General Data Protection Regulation (GDPR), Information Security (IS), Cybersecurity and Business Continuity (BC), earning certification under the following standards of international prestige.

Legal compliance and data protection

- **Data protection and criminal compliance:** We comply with the following regulations: The General Data Protection Regulation (GDPR) and Organic Law on the Protection of Personal Data and Guarantee of Digital Rights (Spanish acronym LOPDGDD), backed by information security certifications.

- **FacePhi's Criminal Risk Prevention Plan** FacePhi is convinced that fostering integrity means acting in accordance with our values (responsibility, excellence and innovation) in our day-to-day work as a company. Compliance, therefore, is a key aspect of integrity: compliance with the law and compliance with our internal regulations. The FacePhi Compliance System is structured in three levels of action: Foresee, detect and respond. These levels comprise a comprehensive system of activities through which we aim to ensure that our business is always carried out in accordance with the applicable legislation, universally-accepted standards and our own internal principles and guidelines.

- **The Compliance Committee** is responsible for applying the Compliance Plan, verifying its effectiveness and reporting to the Board of Directors on a quarterly basis on the dissemination, awareness and compliance with the Group's Criminal Risk Prevention Plan, Code of Ethics and the Protocol on insider information to prevent market abuse practices.

The Whistleblower Channel

As a result of its commitment to regulatory compliance and its internal value system, the Company has implemented a Whistleblower Channel with the aim of not only fostering a culture of ethical conduct and good governance, but also to detect and prevent irregular, illicit or criminal conduct. In October 2019 the European Union adopted Directive (EU) 2019/1937 on the protection of persons who report breaches of Union law – also known as the Whistleblowing Directive – that lays down detailed requirements for reporting channels including whom the Directive protects, how the channels should be regulated, which organisations must implement them, the requirements they must meet and the protection of whistleblowers, among other aspects.

Governance, risk and corporate compliance

- **ISO/IEC 27001** (ISMS). A standard for information security management systems (ISMS) to ensure the confidentiality, integrity and availability of the information and the systems that process it.
- **ISO 22301**. Business continuity management system.
- **ISO 27017**. Security controls for cloud service providers and users.
- **ENS**. Intermediate level certification by the Spanish National Security Scheme (ENS).
- **Pinakes** certification (award of this certificate distinguishes the Company as an approved technology provider vis-à-vis all financial institutions in Spanish territory).

Product and technology certification

- **ISO 30107-3 iBeta Level 1**. The company is the only company in the sector that complies with the ISO 30107 standard both in terms of its Facial Recognition algorithm (Matcher) and its PAD algorithm through Passive Liveness.
- **ISO 30107-3 iBeta Level 2**. Certification at this level represents compliance with the highest standard to date in detection of presentation attacks in facial biometric technologies achieved by any company in the sector.
- **KISA K-NBTC Certification.** KISA K-NBTC certification: certification that validates the performance of the Group's identity verification algorithm issued by the National Biometric Testing Centre (K-NBTC) of the Korea Internet Security Agency (KISA).
- **UK Digital Identity and Attributes Trust Framework (UK DIATF).** The company is certified as an identity service provider (IDSP) within the UK Digital Identity framework for provision of secure, reliable digital identity services by means of its products and services.
- **SEPBLAC**: video-identification circulars. The company is a certified supplier of onboarding and remote digital identity services within the compliance framework established by the Executive Service of the Commission for the Prevention of Money Laundering and Monetary Offences (Sepblac).

Biometric information interchange:

- **ANSI/NIST-ITL 1-2011**. data format for storage and interchange of biometric information for system interoperability.
- **ISO/IEC 19794- 5.** specifies a format for storing, recording, and transmitting information of facial images, scene constraints, photographic properties and digital image attributes of the facial images and provides best practices.
- **ISO 30107-3: Information technology — Biometric presentation attack detection Level 1**: The company is the only company in the sector that complies with the ISO 30107 standard both in terms of its Facial Recognition algorithm (Matcher) and its PAD algorithm through Passive Liveness. The standard stipulates the method for assessing the strength of a biometric algorithm against presentation attacks (attempted fraud). ISO 30107-3 is the most prestigious standard in biometrics at the international level.

FacePhi was assessed by the independent testing laboratory iBeta, selected because it is the only organisation worldwide to date whose biometric laboratories have been endorsed by NIST/NVLAP.

- **ISO 301073 Information technology — Biometric presentation attack detection Level 2**: This instance of the standard focuses on attacks of greater complexity against the technology. Certification at this level represents compliance with the highest standard to date in detection of presentation attacks in facial biometric technologies achieved by any company in the sector.

- **ISO 27001:2013 Information technology. Security methodology. Information Security Management Systems.** The company is certified under the standard that ensures the security, confidentiality, integrity and availability of information and of the systems that process it. Its information security management system guarantees that FacePhi assesses the risks to which it is exposed and applies the controls required to mitigate or eliminate them. This standard endows the Company with credibility and enables customers to differentiate us from the competition.
- **ISO 22301 Security and resilience. Business continuity management system.** This is the international standard designed to help organisations to foresee, prepare for, respond to and recover from physical and/or logic-based disruptions.
- **National Security Scheme (ENS)**. This is a mandatory regulation for all public corporations in Spain and for private companies that provide services to public entities depending on the type of service they provide or the information they process. The ENS is composed of the basic principles and minimum requirements for proper protection of information. Its goal is to ensure the access, integrity, availability, authenticity, confidentiality, traceability and conservation of the data and services that are managed by electronic means.
- **PINAKES** is a qualification or rating that assesses an organisation’s degree of compliance with 1,336 controls related to the physical security, cyber-resilience, risk management, GDPR-related, legal compliance, management and monitoring of systems, access control, information asset management, business continuity and human resources management domains, among others. It is promoted by the ICC (Interbank Cooperation Centre) of the Bank of Spain. The Group is rated AAA. Pinakes’ controls entail compliance with parameters related to ISO 27017:2015 and ISO 27018:2019 on Information Security in Cloud environments and PII Protection in the Cloud.

- **KISA** certifies the performance metrics of FacePhi’s Verification algorithm with NIST methodology on the basis of the Korean government’s databases. This certificate guarantees the performance of verification algorithms for domestic use in the Korean market in any field of application. K-NTBC is the laboratory that assesses biometric solutions employed by KISA, the Internet and security agency of the South Korean government, certification by which endorses SelphID® as a reliable, secure biometric system for users in the Asian market.

FacePhi also complies with the guidelines set by the following standards:

- **ISO/IEC TR 24741:2018, ISO/IEC 2382-37:2012, ISO/IEC 29194:2015, ISO/IEC 19092:2008, ISO/IEC TR 24714-1:2008**: these standards describe and assess the various biometric technologies, automatic recognition system architectures and processes that use biometric technologies and concepts, the security framework for use of biometrics to authenticate people in financial services and references concerning the accessibility and usability for biometric systems.
- **ISO 9001:2015, ISO/IEC 20000-1:2018**: standards that specify the requirements to set up, implement, maintain and improve quality management systems and define the internationally-recognised criteria in information technology (IT) service management.
- **ISO/IEC 19795-1** lays down the methods and metrics for assessment and documentation of the performance of a biometric system.

- **ISO 19794-1** and ISO 19794-5 specify general aspects and requirements for definition of biometric data exchange formats, saving, storage and transmission of facial images and the properties with which photographic images and their attributes must comply.

Main risks and uncertainties facing the company

The current main risk factors do not differ significantly from those set forth in the Market Incorporation Information Document (DIIM) submitted in June 2014 or from those included in the Reduced Extension Documents (DAR) submitted in March 2015 and February 2016, all of which have been suitably updated. It should be noted that these risks are not the only ones that the Parent Company may have to face and that may have an adverse material effect on the price of FACEPHI BIOMETRIA, S.A. shares, which could lead to a partial or total loss of the investment. The following are the most significant risks, although there may be others less important or unknown at the drafting date of this management report.

Risks linked to excessive exposure to technological innovation

The sector to which FacePhi belongs is subject to intense research and technological innovation that entails constant upgrading of products and, therefore, a high rotation or obsolescence rate of the solutions that the Company markets at all times. Said innovation requires investments in personnel, material and marketing that the company must be in a position to tackle.

Emergence of new companies or creation of new technologies that directly affect the company

Technology is constantly growing and evolving, which means that the creation of new, robust companies that provide a product with a competitive advantage or the emergence of new technologies or biometrics that are more effective or obtain a higher degree of social acceptance can never be ruled out.
In the event that these circumstances occur the market share these new companies acquire as competition increases would be subtracted from that of the companies that currently operate in the sector. In that case the latter could be forced to reduce their production, lose customers and suffer the consequent adverse effect on their share price. Despite this, the Group is committed to continuous research and development in which its own technology is developing and improving on a daily basis. This factor works in favour of enterprises already in the sector and acts as an entry barrier to those that attempt to penetrate the market.

Intellectual property rights

The company holds the following registered trademarks in the European Union (MUE):

• FACEPHI BEYOND BIOMETRICS	• PHIVOX
• SELPHI, YOU BLINK, YOU´RE IN	• SELPHI ID
• LOOK & PHI	• SIGNPHI
• INPHINITE	

The Selphi You Blink You´re in and FacePhi Beyond Biometrics trademarks (MUE 015106354 and MUE 015114853 respectively) are registered in both the European Union and in the United States of America pursuant to registration with the USPTO (United States Patent and Trademark Office) by certificates no. 79190080 and 79190126.

European Union trademark protection is also provided by European trademark certificates with registration numbers MUE 017896710 LookΦ MUE 017948110 inPhinite; MUE 017948113 4Phingers; MUE 017948116 Phivox; MUE 017948119 SignPhi and MUE 017948878 SelphID.

International expansion and activity in LATAM has prompted the governing body to extend the geographical coverage of trademark protection. Consequently, the FacePhi Beyond Biometrics and SelphID Identity Validation trademarks are duly registered either as international trademarks with territorial designation or as domestic trademarks in all markets in which the company carries out commercial activity in APAC, LATAM and EMEA.

The new registered trademarks are:

- MUE 018762534 FACEPHI (mixed)
- MUE 018762535 FACEPHI (denominative)
- MUE 018779488 FACEPHI IDENTITY PLATFORM (mixed)
- 4184138 FACEPHI PROTECTING IDENTITY TO BUILD THE FUTURE (Spain - OEPM)

One of FacePhi's most important business assets is its software (algorithms), and this is due to the effort to comply with the internationally-enforceable conditions essential for protection of business secrets.

Intellectual property

Entry into force of Act 1/2019 of 20 February, the Trade Secrets Act, determines a scenario where legal certainty regarding knowledge considered to constitute business secrets (algorithms, know-how, etc.) is greater than before and consequently provides stronger protection against potential breaches of business secrets.

Furthermore, I.T. programs and algorithms – software, in short – are protected by the Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS), the Berne Convention for the Protection of Literary and Artistic Works and Directive (EU) 2016/943 of the European Parliament and of the Council of 8 June 2016 on the protection of undisclosed know-how and business information.

One of FacePhi's most important business assets is its software (algorithms), and this is due to the effort to comply with the internationally-enforceable conditions essential for protection of business secrets, namely, contractual clauses that explicitly formalise said duty of privacy, reinforce the reserved nature of business information for the bound party and restrict the conditions applicable to the confidential information with respect to the people who have access to it.
Nevertheless, the legal doctrine and jurisprudence in the field agree that application of the Act will not be really effective unless the companies are equipped with tools capable of configuring an environment of security, protection, reliability and traceability.

Risks derived from loss of key personnel

Since FacePhi is a young company that depends heavily on its founders and managers, emphasising the risk derived from their dismissal or resignation from management of the Company is inevitable. Although occurrence of the aforesaid risk is highly unlikely for voluntary reasons since they are still the majority shareholders, their absence for reasons beyond their control cannot be ruled out and would obviously entail the aforesaid risk. The death or dereliction of key personnel could negatively affect the Company’s business, its outcomes, prospects or financial, economic or equity-related position.

As a general rule, Facephi adopts post-contractual non-competition agreements in order to avoid the negative impact on the business of the dereliction by key personnel. These pacts are based on two premises:

- **Effective industrial or commercial interest.** Effective industrial or commercial interest A real and effective industrial or commercial establishment sets limits against the option of entering into non-compete agreements with workers in sectors in which the employer lacks a true and legitimate interest that could compensate for the limitation on the right to work that guarantees the freedom of citizens to freely choose their profession or trade. Since it is a somewhat nebulous legal concept, its application in practice is subject to the deliberations of the law courts. In order to assess whether or not there is a true industrial interest, the activity of the former employer and that of the new competing company are compared to ascertain whether they have the same corporate purpose and compete in the same market or if they have the same customers.

- **The compensation:** The reason for establishing an adequate monetary compensation is to endow the worker with financial stability for a certain period after ending his/her employment contract ends for whatever reason, given that the non-compete agreement prevents workers from being able to “find work in the field in which they have been habitually providing services and where they can presumably offer their best skills and competencies".

Risks linked to the share price

Variation in share price. Basically, as a consequence of their particular characteristics, the Parent Company’s shares have been highly volatile ever since they were first listed on the market. FacePhi is a small cap company. Considering its current size, FacePhi’s market capitalisation is approximately 62 million euros on the 31 March 2025.

Social acceptance risk

Due to the fact that the technology sector is subject to constant variations, there could be changes in consumer trends and/or in the market itself that entail changes in the use of facial biometrics to a greater or lesser degree compared to other biometric systems or security systems.

Theft or hacking of essential information and technology code

FacePhi is working to eliminate or mitigate this risk in various ways. Firstly, all our code and software packages are subject to data integrity strategies (preventing the code from being altered in a way that creates backdoors or other threats), availability (ensuring code recovery at all times) and confidentiality (rules of least privilege access to the code, "hashing" of closed source packages, constant review of access permission, etc.). To complete the security cover, we only employ code repositories that comply with the ISO 27001 and ISO 22301 standards, under which FacePhi is also certified.

FacePhi also works under the strict S-SDLC (Secure Software Development Life Cycle) a strict protocol based on OWASP methodology within the scope of our ISO 27001 certification.

Finally, our automated licensing system prevents the use of technology beyond the scope and life cycle for which it has been approved in the project or for delivery to a specific customer.

Recurring revenues

The income type is segmented between sale of licences – which can be recurring or perpetual – and other related income such as support, maintenance, certification, consultancy, upgrades or specific developments. Recurring license sales currently represent more than 65% of the Company's revenue. The future success depends on growth of sale and renewal of recurring licences, acquisition of new customers, sale of new licences or products to existing customers and development of new products.

Analysis of the variation and results of the businesses and the company's position

The Parent Company is a global leader in identity verification with a strong presence in the financial services sector. Listed under the dual listing formula that involves trading on the Euronext Growth market in Paris and on the BME Growth – formerly the Alternative Stock Market (MAB) – in Spain, it has achieved revenues of 27.7 euros from the sale of licences, an increase of more than 15% compared to 2023.

Its sale figures have been growing steadily in recent years. Latin America continues to be its main market.

In the 2024 financial year, the Company made improvements in the following key parameters:

- Turnover, which increased from 24.1 million euros in 2023 to 27.7 million euros in 2024.
- Working Capital, which increased from 4 million euros in 2023 to +1.6 million euros in 2024.
- Net financial debt (not including convertible debt already capitalised or in the process of being capitalised at the date of formulation) from EUR 10.1 million in 2023 to only EUR 4.6 million in 2024.

All these improvements continue to be included in the 2025 Budget, with the knowledge and support of its main Partners, the Board of Directors and the commitment of the Management team to their implementation. The updated business plan is firmly supported by the directors and main shareholders.

Information on issues related to regulatory compliance

The governing body is firmly committed to excellence in service and prioritises results, while responsible management of the environment, interest in people, health and safety, social commitment, integrity and transparency are the main pillars of the corporate responsibility policy of Facephi.

Supervision of the company's performance in this area ultimately falls on the Board of Directors as set forth in the recommendations of the Code of Ethics and the Regulations of the Board. The Board is responsible for approving the Company's Corporate Responsibility Policy and receives information on its implementation and general monitoring at least on an annual basis.

The Board of Directors is also charged with leading the effective integration of corporate responsibility into the company's strategy and in its day-to-day management, thus consolidating a robust corporate responsibility culture. Implementation of a Criminal Risk Prevention Plan is a result of the Board of Directors' compliance with this responsibility in its desire to ensure proper enforcement and monitoring of the commitments it has assumed.

Information on criminal compliance: FacePhi's Criminal Risk Prevention Plan. This *Compliance System* attests to the Company's will to foster a culture of compliance in the minds and acts of all FacePhi's employees. The FacePhi *Compliance System* is structured in three levels of action: Foresee, detect and respond.

Information on issues related to R&D+i

Research and development expenses capitalised as at the end of 2024 are linked to the Group's projects and milestones.
The Parent Company continues to implement its investment policy and to improve its current facial biometric applications. Expenses capitalised during the financial year ended on 31 December 2024 are pegged to the following milestones:

	Euros	
Description:	**31.12.2024**	**31.12.2023**
Improvements to software development kit (SDK)	4,346,523	3,676,988
Platform as a service (PAAS)	--	--
Identity Platform	237,958	493,862
Total internal development	**4,584,481**	**4,170,850**
Development acquired from third parties	351,731	387,303
Total	**4,936,212**	**4,558,153**

Said expenses are recognised under the head of Development since there are good reasons to foresee commercial success on completion, at which time they are reclassified under the head of Intangible assets in accordance with their nature. If there were well-substantiated reasons to consider that the project will not be successful, the Group would write off these expenses and recognise them as losses in intangible fixed assets. Almost all the activity involved in development of new applications or improvements to current ones has been performed internally and recognised by capitalisation of production costs under the head of "Works performed by the company for its own assets" in the Income Statement.

Developments activated as at 31 December 2024 and 2023 consisted mainly of anti-fraud security improvements, interactive user guides during registration and tools for integrating technology into multi-platform applications. After conducting tests and trials, management considers that the developments are operative and have been brought to a successful conclusion and will be placed on the market next year.

The Parent Company's directors consider that the capitalised research and development expenses meet all the conditions set in the applicable regulations for capitalisation.

Information on issues related to personnel

Corporate social responsibility is an integral part of **Facephi**'s identity. Consequently, the Company is implementing its own **social commitment plan** that devotes part of the workday to activities aimed at making society a better place.

During the year ended 31 December 2024 the Company has maintained an average workforce of 202 full-time-equivalent employees and complies with the legal standards set forth in both the labour-related legislation and the applicable collective agreement (see note 14.e of the Consolidated Report).

Information on environmental issues

The company does not have significant tangible fixed assets intended to mitigate the environmental impact of its activity and neither has it incurred in significant expenses during the financial year aimed at protecting and improving the environment. Expenses derived from corporate activity aimed at protecting and improving the environment are recorded as an expense in the financial year in which they are incurred. These expenses are accounted for as increased value of the fixed assets in question when they involve additions to property, plant and equipment the purpose of which is to minimise our environmental impact and protect and improve the environment. At the present time there are no known contingencies related to protection and improvement of the natural environment or their potential impact on the Company's outcomes and equity position. No subsidies of an environmental nature have been received.

Average period of payment to suppliers and the measures to be applied in the following year to reduce this parameter to the legal maximum provided for in the regulations to combat late payment

The average period of payment to suppliers in the financial year ended 31 December 2024 was 68 days (see note 12.5 of the Report). This average period of payment to suppliers is understood to represent the payment time or the delay in paying the trade debt.

Important events subsequent to the end of the financial year

On 10 January 2025, Nice & Green notified the Parent Company of the fourth and last conversion of the 600,000 euros (60 bonds at 10,000 euros par value each) still pending from the issue of 2,400,000 euros (note 12) related to financing by convertible bonds with the following data:

Notification date	Amount	Conversion (shares)	Exercise price	Par value	Issue premium	Capital	Issue premium
10/01/2025	600,000	365,163	1.6431	0.04	1.6031	14,607	585,393

The conversion of said 600,000 euros was notarised on 16 January 2025 and registered in the Companies Registry on 11 February 2025.

On 3 January 2025, Nice & Green proceeded with the disbursement of 500,000 euros corresponding to the last of the four tranches of the 2 million euro loan granted on 30 September 2024.

At the date of formulation of the annual accounts, Nice & Green, S.A. and Facephi are closing the agreement for the capitalisation of the aforementioned Loan of 2 million euros, together with the accrued interest, with the following conditions: 103% of the VWAP of the five (5) business days immediately preceding 2 April 2025 which corresponds to a conversion value of 2.43 euros per share.

Deferred tax assets

Although the profit and loss account records an impairment of 3.1 million euros corresponding to deductible temporary differences, tax losses, deductions and other unused tax benefits, the company, based on the annual Budget and the Business Plan, expects to generate tax benefits in a very short period of time against which to apply these credits and deductions. The above mentioned figure of EUR 3.1 million, which represents only 11% of the 2024 Sales, will be re-estimated again for recognition in the Balance Sheet in a very short period of time.

The foreseeable progress of the Company

The Company's forecast indicates consolidation in established markets and expansion in the banking sector of new countries and continents (America and Asia) and capture of new customers in sectors different from banking. In line with our business plan, we expect an increase in turnover and enhanced profitability in the coming months and years.

Treasury stock Treasury stock: reasons for the acquisitions and disposals carried out during the financial year

The total amount of treasury stock held as at 31 December 2024 is 341,646 euros (393,977 euros at 31 December 2023) represented by 198,147 shares (158,449 shares at the end of the previous financial year), the equivalent of 0.82% (0.75% in 2023) of the Company's share capital. This is well below the maximum limit of 10% provided for in article 509 of the Corporate Enterprises Act.